

U.S. Says Soviet May Overlook 'Attractive Offers' in Geneva

By Joseph Fitchett
International Herald Tribune
PARIS — A senior U.S. arms official voiced concern Wednesday that opportunities for progress in the Geneva arms talks could be missed because of the Soviet leadership's preoccupation with space weaponry.

Edward L. Rowny, President Ronald Reagan's special adviser on arms control, also said Soviet leaders were placing greater priority on domestic problems than on arms control.

He said that "attractive U.S. offers risk being overlooked" in negotiations on intermediate-range ballistic missiles and intermediate-range nuclear weapons.

In the Geneva talks, the Soviet Union has said that all three sets of discussions—on strategic missiles, European-theater missiles and anti-missile defenses, possibly based in space—must succeed before agreement can be concluded in any of the component talks.

Mr. Rowny's comments marked the first time that a senior U.S. official has publicly aired concern that the Soviet Union will concentrate on trying to block the Strategic Defense Initiative, popularly known as "star wars," and, in effect, ignore opportunities for other arms reductions.

Mr. Rowny, a retired army general who represented the Joint Chiefs of Staff on strategic weapons issues, has been vocally skeptical about Soviet motives in arms control. He was chief U.S. negotiator in the strategic arms talks that broke off in 1983 when the North Atlantic Treaty Organization began deploying new missiles in Europe.

In an interview, he confined his comments to views held by Reagan administration officials in Washington and to the U.S. analysis of developments in the Soviet Union. Both sides at Geneva have agreed not to comment on details of those negotiations, the first round of which will conclude next week.

But both governments seek to sway opinion in Europe, and Mr. Rowny has briefed officials in Italy and France as part of U.S. efforts to pre-empt European pressure on the United States to curb research on space weaponry as a condition for progress in arms control.

The United States rejects Soviet calls for a ban on research into space-based defensive weaponry because, U.S. officials say, Soviet compliance would be unverifiable. In view of the Soviet position, however, Mr. Rowny reportedly warned European officials not to expect early progress in Geneva.

Mikhail S. Gorbachev, the Soviet leader, has "domestic preoccupations," Mr. Rowny said, adding that Mr. Gorbachev has appeared eager for quick U.S.-Soviet progress.

The Soviet moratorium on SS-20 deployments in Europe, Mr.

Rowny said, had already been offered and rejected in the Geneva talks before Mr. Gorbachev announced in April 7.

Other U.S. officials have predicted privately that the Soviet Union will save new proposals until fall, when Mr. Reagan and Mr. Gorbachev could meet during the United Nations General Assembly session.

The Soviet missile moratorium expires in November, when the Netherlands must decide whether to deploy U.S. cruise missiles.

Soviet emphasis on stopping the space defense research program is useless, Mr. Rowny said.

"It's impossible to tie progress on arms control to a strategic research program, which is eight to 10 years out," he said. "We want to concentrate on the here and now."

Mr. Rowny said progress toward arms reductions could start if the Soviet Union responded to "important nuances" in the U.S. negotiating position.

He cited the following points: On strategic missiles, the United States has dropped its insistence that the Soviet Union reduce its missile arsenal's "throw-weight," which is a technical term that roughly corresponds to the concept of destructive power. The Soviet Union has about a 3-to-1 advantage in throw-weight.

The United States has offered to put a ceiling of 8,000 on air-launched cruise missiles to be deployed if both sides agree to move

to the U.S.-proposed cutback in strategic nuclear warheads to 5,000 each.

The Soviet Union has slightly more than 7,500 of these warheads, the United States slightly fewer.

On intermediate-range missiles in Europe, the United States would agree conditionally to deploy fewer cruise and Pershing-2 ballistic missiles than Soviet SS-20s.

While sticking to the formal U.S. demand for equal global numbers of intermediate-range weapons, the United States would undertake "not to exercise its entitlement" provided the Soviet Union destroyed some SS-20s and did not simply shift missiles to Asia.

Soviet Bans Use of Force After Death Of U.S. Major

By Walter Pincus
Washington Post Service

WASHINGTON — More than three weeks after a Soviet sentry shot to death a U.S. Army major, the Soviet Union has agreed not to permit "use of force or weapons" against U.S. military liaison personnel in East Germany, the State Department has announced.

The State Department spokesman, Bernard Kalb, said Tuesday that Soviet generals had also agreed to refer to "higher authority" in Moscow the U.S. demand for an apology for the shooting March 24 of Major Arthur D. Nicholson Jr. and compensation for his family.

The department's statement followed a meeting Friday of the top U.S. and Soviet military officers in West and East Germany and came as a congressional delegation, headed by the speaker of the House, Thomas P. O'Neill Jr., reported to President Ronald Reagan on his April 10 meeting in Moscow with the Soviet leader, Mikhail S. Gorbachev.

A member of the House delegation, Dan Rostenkowski, Democrat of Illinois, quoted Mr. Gorbachev as saying that a change in the ground rules governing U.S. and Soviet military liaison officers in East and West Germany "could very well be the outcome" of Major Nicholson's death and that "it should never happen again." State Department officials said additional U.S.-Soviet meetings on the military ground rules were planned.

Members of the congressional delegation said Mr. Gorbachev and other Soviet officials had refused to accept responsibility for the shooting and maintained that the United States was to blame for the major's death.

Mr. O'Neill, Democrat of Massachusetts, in reflecting on the four-hour meeting with Mr. Gorbachev and Tuesday's session with Mr. Reagan, said a summit meeting of the U.S. and Soviet leaders was unavoidable because "both men are committed to it now."

If a meeting occurs this year, Mr. O'Neill said, it is likely to be during or after October. By then, he said, Mr. Gorbachev may be able to consolidate his power in Moscow.



Arthur D. Nicholson Jr.

Representative O'Neill said that, in his opinion, Mr. Reagan and Mr. Gorbachev "would understand each other" if a meeting could be arranged. He said the president would have to be well-prepared for a meeting with Mr. Gorbachev, who Mr. O'Neill characterized as having charisma, "a different style" and "a bit of class."

Interviews with participants in last week's meetings also said that Soviet officials, in what some participants characterized as a significant signal, agreed to continuing meetings on human rights in the Soviet Union and other topics.

Representatives George Miller, Democrat of California, and Marty Russo, Democrat of Illinois, met with Vassili Trushin, first deputy minister of internal affairs, for several hours to discuss human rights. Mr. Miller said Mr. Trushin "expressed willingness to review individual cases of concern to us" and said he would report back in three or four weeks.

When human rights were first brought up in the talks, Mr. Miller said, Soviet officials did not want to discuss the subject. The U.S. delegation responded that this was "unacceptable." Eventually, the Soviet officials proposed that several working groups, including one on human rights, be established.

The participants also said that Mr. Gorbachev emphasized the importance of dialogue and peaceful coexistence as practiced in the 1970s, when U.S.-Soviet trade flourished, the congressmen said.

"We have to have the wisdom to find the development of friendship between the two nuclear superpowers," Mr. O'Neill quoted the Soviet leader as saying.

WORLD BRIEFS

Odds Even on U.S. Meltdown by 2005

NEW YORK (NYT) — The chance of a meltdown at a nuclear reactor somewhere in the United States in the next 20 years is almost 50-50, according to the Nuclear Regulatory Commission.

The estimate concerns the chance of a "severe core melt accident," which could be much more serious than the partial core melting at Three Mile Island, near Harrisburg, Pennsylvania, in March 1979 but would probably not cause immediate fatalities, the commission said, and is based on examinations of the likelihood of the failure of enough independent components to cause an accident at "close to two dozen" plants.

The estimate suggests the typical chance of such an accident at a single reactor in a single year at about one in 3,333. If one chance in 3,333 was the industry average, the commission said, "then in a population of 100 reactors operating over a period of 20 years, the crude cumulative probability of such an accident would be 45 percent."

Sudan Offers Trade-Off to Ethiopia

KHARTOUM, Sudan (UPI) — The ruling military council has offered to cut its support for anti-Ethiopian guerrilla groups operating from bases inside Sudan in exchange for withdrawal of Ethiopian backing for Sudanese secessionists, the national news agency said Wednesday.

Major General Faris Abdalla Hosni, a member of the military council that overthrew President Gaafar Nimeiri April 6 in a bloodless coup, told a gathering of army officers in the southern provincial capital of Juba that the council was sending representatives to Ethiopia to discuss the offer.

At least two major anti-Ethiopian guerrilla groups, the Eritrean People's Liberation Front and the Tigre People's Liberation Front, operate from bases in Sudan. The Sudan People's Liberation Army, led by Colonel John Garang, has crippled the southern Sudanese economy from his bases in western Ethiopia.

Reagan Welcomes Algerian President

WASHINGTON (AP) — President Ronald Reagan on Wednesday welcomed President Chadli Bendjedid of Algeria in a symbolic show of appreciation for that country's gradual shift toward a policy of nonalignment after years of close ties with the Soviet bloc.

At a White House ceremony that included full military honors, Mr. Reagan told Colonel Chadli, "We Americans particularly welcome the return of cordial relations which existed in the early days of your independence." Mr. Reagan decided last week to allow Algeria to purchase U.S. weapons for the first time since that country won its independence from France two decades ago.

Mr. Reagan disclosed that an agreement establishing a U.S.-Algerian economic commission would be signed Thursday and that a cultural exchange agreement was also planned. Colonel Chadli said he was bringing a "message of friendship and respect" as he embarked on his first visit to the United States.

AIDS, Brain Disorders Closely Linked

ATLANTA (AP) — At least 60 percent of patients with acquired immune deficiency syndrome, or AIDS, develop severe brain and nervous system disorders, a researcher has found. This is a much higher incidence than previously believed.

The evidence suggests that the AIDS virus is infecting the brain as well as the immune system cells directly, said Richard Price, a neurologist at the Memorial Sloan-Kettering Cancer Center in New York. He said 121 of the 235 AIDS patients whose cases he examined showed signs of dementia, a progressive loss of memory and language and a gradual slowing of the ability to think and control muscles.

Dr. Price's study was presented Tuesday at an international symposium on AIDS sponsored by the World Health Organization and three U.S. agencies. Another researcher, Carolyn Britton of Columbia-Presbyterian Medical Center in New York, said neurological symptoms may be the first sign of AIDS in as many as 20 percent of patients.

Papandreou Wants Election in June

ATHENS (Reuters) — Prime Minister Andreas Papandreou of Greece announced Wednesday that he would ask that a general election be held in June.

Mr. Papandreou said he would write to President Christos Sartzetakis seeking the election on June 2 or 9. His government's term does not expire until October. If Mr. Sartzetakis agrees to the early elections, parliament will be dissolved early next month.

For the Record

U.S. and Soviet negotiators have been meeting in Helsinki since Monday for talks about stopping the proliferation of nuclear weapons, and will conclude their discussions Thursday, a U.S. official said Wednesday. (Reuters)

A former West German naval officer, Captain Wilhelm Reichenburg, was sentenced to six years imprisonment Wednesday by a Munich court for spying for East Germany over a period of 14 years. (Reuters)

An Israeli soldier, David Ben-Shimon, 18, was sentenced Wednesday to life imprisonment for killing one person and wounding 10 in a rocket attack on an bus carrying Arabs on Oct. 28, 1984. (Reuters)

U.S. Judge John F. Keenan told the Union Carbide Corp. Tuesday that "as a matter of fundamental human decency," it should make an emergency payment of "25 million or \$10 million" to aid the victims of last December's poison gas leak at Bhopal, India. Judge Keenan then asked Union Carbide and the Indian government to submit a plan for relief aid to him by May 8. (UPI)

Weinberger Says There Is No Deadline For Allies to Join Research Project

WASHINGTON — The U.S. secretary of defense, Caspar W. Weinberger, has written NATO ministers to dispel any suspicion the United States was setting a deadline for them to join in space-based anti-missile research, a defense official said Tuesday.

Mr. Weinberger had told NATO officials March 26 that he would like a decision within 60 days on whether they wanted to cooperate in the research. Some European of-

ficials took that as an ultimatum, and Mr. Weinberger tried to dispel this idea during an April 1 meeting in Washington with West Germany's defense minister, Manfred Wörner.

A second letter, sent to NATO defense ministers last week, sought to end confusion about the 60 days, the Defense Department official said. He said the latest letter urged the allies to respond as soon as possible if they wanted to participate in the program.

Chinese-Language TV Is A Hit in Los Angeles Suburb

(Continued from Page 1)
ese-speaking ethnic Chinese, are eager for Hong Kong programs. Mr. Ip's company is negotiating with cable systems in San Francisco and San Diego and has set its sights on New York and Chicago. The company, which has as its chairman Sir Run Run Shaw, the major producer of kung fu films, began to perceive what a fertile market the United States might be when its videotapes of Cantonese series began renting rapidly.

Alan McGlade, programming director for Falcon Communications, noticed that "the Asian and particularly the Chinese population was increasing dramatically in our area." He added, however, that "it was tough to sell" the usual cable television services "to someone who doesn't speak English."

In July, Falcon and TVB, the Hong Kong company operating Jade channel is called, made a deal to bring Chinese television to communities in eastern Los Angeles, such as Monterey Park.

The channel number, 38, was selected carefully. "In Hong Kong, 3 means longevity and 8 prosperity," Mr. Ip said.

By opening day they had a schedule to fit the workday lives of their emigrant audience, with programming from 5:30 P.M. to 10 P.M. and repeats until about 1 A.M.

"A lot of Chinese work quite late," Mr. Ip said. "They're self-employed and don't get home until 10."

A typical day on the Jade channel began with "Space Shuttle 430," a children's program to entice young Chinese-Americans to keep up their Cantonese, followed by "Women Today," a talk show for housewives, and "Hong Kong '84," a situation comedy about a family running a fast-food shop in Hong Kong's noisy Causeway Bay district.

Historical programs, a variety show and the news highlighted the evening programs, one of which was in the Mandarin dialect spoken by Taiwanese and most mainland emigrants.

The Mandarin speakers ask for more shows in their language and emigrants who are more affluent want more late-night programming. Mr. Ip says he is preparing to provide both.



A makeshift tool, upper right, on the shuttle's mechanical arm broke a slot Wednesday snagging the jammed trigger switch, left center, of the communications satellite.

Crew Fails to Turn on Satellite

(Continued from Page 1)
closed, perform the separation maneuvers.

"We had hard physical contact on at least two occasions," reported Colonel Karl J. Bobko of the U.S. Air Force, the mission commander.

Throughout the morning, Colonel Bobko and Commander Donald E. Williams of the navy, the pilot, had guided Discovery to the rendezvous, closing in to 30 feet from a distance of 46 miles (74 kilometers).

"Tallyho, the target!" Commander Williams exclaimed as Syncom came into view.

The astronauts inspected the satellite for 90 minutes to make certain all was safe before proceeding. The failure of the lever to move indicated it had jammed. It was a disappointment to Mission Control

and the astronauts, who had worked long hours to devise a rescue plan and to construct the makeshift tools.

The tools were made by the astronauts out of the plastic covers of the shuttle flight log, a window shade, tubing, tape and other items scavenged from the shuttle's cabin.

After Discovery pulled away from the satellite, controllers gave Colonel Bobko a choice of returning to Earth on Wednesday or staying up until Friday.

Colonel Bobko said he would like more time than the three hours available Wednesday to complete cabin stowage work.

Under the original plan, the flight was to have ended Wednesday, after five days in orbit. Controllers said the attempt to salvage the satellite would add one or two days to the mission. (AP, UPI)

Silatou alwasli "The link"



On February 8th, 200 million people across the Arab world were joined together by words and pictures. Thanks to a brand new artificial moon, that's the Arabic idiom for satellite.

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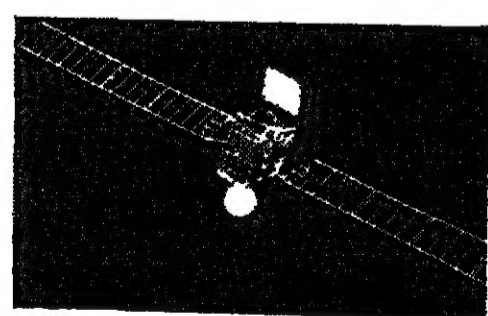
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Make sure you've got a choice of menus, and that the food is served on elegant china with fine cutlery and table linen.

Make sure you've got French wine and champagne from Moët and Chandon. (Don't forget the cheese board and fruit basket.)

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Make sure you've got an electronic headset and a pair of comfort socks.

Make sure you've got someone to fuss over you. (Only an airline with one cabin attendant for every ten passengers can make sure you've got that.)

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Sweden	S.Kr.	1,160	580	320
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Pretoria Says U.S. Acknowledges Reform

The Associated Press
CAPE TOWN — Foreign Minister R.F. Botha said Wednesday that he was pleased with an acknowledgment by the U.S. secretary of state, George P. Shultz, that South Africa is attempting to push ahead with race reform.

Mr. Shultz, speaking Tuesday to the National Press Club in Washington, criticized the slow pace of change in South Africa but generally emphasized "a good measure of progress."

Mr. Botha said that the United States "is displaying an attitude of expecting certain standards from the South African government which are not expected from any other government in Africa."

But the foreign minister said Mr. Shultz made it clear that the U.S. government has "an understanding for the problems" faced by the South African government.

Shultz Seeks Policy Support
Don Oberdorfer of The Washington Post reported earlier from Washington.

Mr. Shultz, in his speech Tuesday, declared that South Africa's white government "has crossed a historical divide" toward reform of its racial policies and he appealed to Americans to support the Reagan administration's embattled policy of "constructive engagement."

Mr. Shultz used the address to begin an administration drive to stop passage of legislation ordering U.S. economic sanctions against South Africa because of apartheid, its system of race segregation.

His appeal on South Africa, the most extensive cabinet-level statement on the subject in the Reagan administration, came as pressure for economic sanctions against South Africa increased in Congress.

Senator Edward M. Kennedy, Democrat of Massachusetts, and Senator Lowell P. Weicker Jr., Republican of Connecticut, urged the Senate Banking, Housing and Urban Affairs Committee to approve a four-point compulsory sanctions bill that has extensive congressional support.

Mr. Kennedy, who toured South Africa last January, reported that he found "increasing hostility toward the United States" among blacks, who are taking the view that under its current policies, "the United States will be the last country to go down with apartheid" when that system inevitably collapses. Many U.S. companies have large investments in South Africa.

Mr. Shultz charged that U.S. action against South Africa would be "ineffectual actions that are more likely to strengthen resistance to

change than strengthen the forces of reform."

He said that "the only course consistent with American values is to engage ourselves as a force for constructive, peaceful change."

"It is not our business to cheer on, from the sidelines, the forces of polarization that could erupt in a race war," he said. "It is not our job to exacerbate hardship, which could lead to the same result."

In arguing that the United States must work constructively with the South African government and the white majority, Mr. Shultz said:

"If we recognize that white opinion holds vital keys to change, then we must also recognize that change must originate in shifts in white politics."

"In this regard, in the past three years, the white government has crossed a historical divide: It has been willing to accept major defections from its own ranks in order to begin to offer a better political, economic and social deal to the nation's black majority."

In a related development, State Department sources said the United States has made strong representations to South Africa against a plan to recognize an interim internal government in South-West Africa, or Namibia, which South Africa

ca administrators in defiance of the United Nations.

If South Africa recognizes such a government later this week, as is expected, the United States will consider such action "null and void" and without relevance to longstanding international negotiations about Namibia's future, the officials said. Mr. Shultz, in answer to a question, said any such Namibian government would "have no standing."

Angola Pullout Completed

South African troops withdrew from southern Angola into Namibia, the territory also known as Namibia, officials said Wednesday. United Press International reported from Johannesburg.

In Cape Town, meanwhile, President Pieter W. Botha met Namibian political leaders to discuss their proposal for a preindependence interim administration, the officials said.

More Violence Reported

Officials said Wednesday that South African riot police fired tear gas and rubber bullets when blacks in Uitenhage, in the eastern part of Cape province, threw gasoline bombs and stoned houses, cars and a shop during the night. Reuters reported. A black man was found dead.

Crossroads Blacks Begin Move to New Settlement

By Richard Bernstein
New York Times Service

CROSSROADS, South Africa — Residents of this sprawling shantytown of tin sheets and packing-crate wood have begun dismantling their homes and preparing to move.

Eventually, South African officials hope, all of the roughly 100,000 people in this camp of tolerated illegality near Cape Town will move to Khayelitsha, a place of flattened sand dunes about five miles (eight kilometers) away where 7,000 square cement platforms have been embedded into the ground to accommodate the reconstructed shacks.

And so, on Monday morning, a controlled pandemonium began in this vast and squalid encampment that authorities have been battling to remove for a decade.

Along the main road, the first strip of shacks underwent rapid demolition as residents used crowbars and hammers to pry roofs apart from walls. Within minutes, homes that had provided frail shelter to sometimes more than a dozen persons the night before were reduced to heaps of what would look like debris in the whites-only areas of this country.

The piles, along with cabinets, pots and pans, suitcases, the occasional battered chest of drawers and other possessions were loaded on to government trucks that then rumbled down the dusty road toward Khayelitsha. Within a few days, that desolate expanse is likely to resemble the present Crossroads.

Supervising the procedures are white men holding clipboards who, as each move is completed, enter the coveted stamp granting 18 months of legal residency in each individual's passbook.

The beginning of the controlled migration of poor black squatters from Crossroads to Khayelitsha is the culmination of a long, difficult and sometimes violent process begun a few months ago by the South African government, a process intimately related to the system of racial segregation that requires blacks to have special permits to live near white areas.

Most of the Crossroads inhabitants originally refused to leave.

Black residents complained that Khayelitsha was too far from Cape Town, where many of them have jobs, and said they could not afford steeper bus fares.

In February, rumors of a forced eviction brought riots in which 18 people were killed. Since then the government has promised those who agreed to move that they would receive 18-month permits to reside in the Cape Town area as well as the right to hold jobs there.

As a result, 42,000 Crossroads residents have agreed in the past several weeks to move to the new quarter camp.

"I can't refuse to do this," said Isaac Gwizila, the leader of one community of 6,000 people in Crossroads. "I've got no rights to live in Cape Town."

"If the government gives me 18 months to stay here and build up my own house," he added, "why should I refuse? I've got nothing." The South African authorities say the resettlement policy is a reasonable way of improving the lives of Cape Town's black squatters. Rather than using coercion to move the squatters, officials say, they have persuaded them that Khayelitsha represents an improvement over Crossroads.

"First of all, I offered them to go and have a look to see what they will have there that they don't have here," said Timo Bezuidenhout, who is in charge of the operation.

Among Khayelitsha's advantages are schools, a modern clinic, two soccer fields and a community hall, he said. Like Crossroads, Khayelitsha will have no electricity, but it will feature regularly spaced outhouses, one water spigot for every 10 families, and about 700 square feet (63 square meters) of sandy area for each house—all for a monthly rent of about \$7 a month.

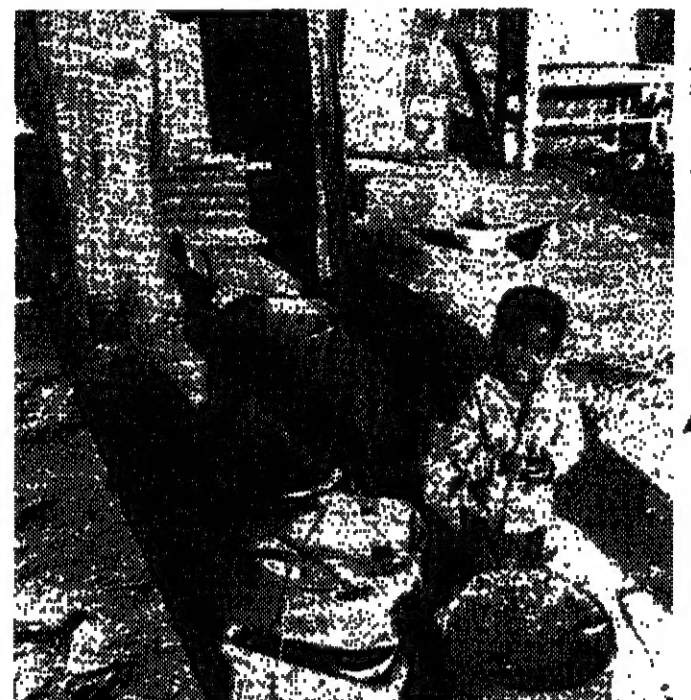
As for the residency permits, Mr. Bezuidenhout said "the situation will be reviewed" after 18 months. The government has promised that no one will be deported after the permits expire.

The vacated land at Crossroads will be improved for older residents, who are not being asked to leave.

"South Africa is the only place in the world where we negotiate with squatters," Mr. Bezuidenhout said. "This is the only country in Africa that is handling its squatter problem by means of a urban renewal policy."

26 Hurt on Train in Rockies

United Press International
GRANBY, Colorado — A truck's California Zephyr hit a mudslide, jumped the tracks, and four of its cars plunged into a canyon in the Colorado Rockies, injuring 26 of the 147 people aboard, the authorities said.



A child looks after his parents' luggage before being moved from the Crossroads camp to a government-approved site.

UN Protests to Somalia About Exchange Rate

By Iain Guest
International Herald Tribune

GENEVA — The United Nations secretary-general, Javier Pérez de Cuéllar, has told the government of Somalia that its use of an unfavorable rate of exchange in its dealings with UN agencies is jeopardizing funding for hundreds of thousands of refugees in the country.

Mr. Pérez de Cuéllar's protest, sent March 23 in a personal cable to the Somali president, Mohamed Siad Barre, was rejected four days later by Mr. Siad Barre. The Somali leader replied that if UN agencies were given "favored status" it could "adversely affect" Somalia's economic plans.

The exchange of cables between the UN secretary-general and the president, made available to the International Herald Tribune, was described as "highly unusual" by Western diplomats accredited to the United Nations in Geneva.

Somalia, one of the poorest countries in Africa, is suffering an economic crisis, partly caused by the presence of several hundred thousand refugees from Ethiopia.

The flood of refugees has also resulted in considerable relief assistance to Somalia from Western government and UN agencies. The office of the UN High Commissioner for Refugees plans this year to spend \$48 million in Somalia.

The protest was triggered by Somalia's devaluation last month of its currency, the shilling, as part of an economic restructuring program proposed by the International Monetary Fund. The devaluation was followed by the introduction of two official rates of exchange.

UN agencies and foreign embassies have since been receiving 36 Somali shillings to the dollar, instead of the market rate of 81 shillings. The old single rate was 16 to the dollar.

This policy, Mr. Pérez de Cuéllar said, had effectively "imposed a 100 percent tax" on UN agencies. He added that the exchange problem "prejudged" the ability of the United Nations to continue aid to hundreds of thousands of persons in Somalia, including refugees, who were in need of food, drugs, and other essential items.

Diplomatic sources said the United Nations High Commissioner for Refugees and the United Nations Development Program were considering suspending some programs if the Somali government insisted on its position. The diplomats added, however, that suspension of emergency drugs or food to refugees would only be done as a last resort.

The UN secretary-general also said the Somali government appeared to be violating a 1977 agreement between the world organization and Somalia that UN funds were to be converted into local currency at the most favorable exchange rate.

Mr. Pérez de Cuéllar said in his cable that no other country had sought to have the United Nations accept an unfavorable exchange rate as Somalia was doing.

A Western diplomat in Geneva said that development assistance from donor governments would also apparently be subject to the lower rate of 36 shillings to the dollar but that nongovernment voluntary agencies working in Somalia were receiving the higher rate.

Diplomats said Western donors were likely to reject the Somali move since they interpreted it as an attempt by the government to use emergency aid to gain foreign exchange.

One noted, however, that donor governments did not generally have the same legal agreements on exchange rates as the United Nations did with recipients of aid.

Aid from multilateral agencies and governments accounts for much of Somalia's foreign exchange earnings. According to figures from the Organization for Economic Cooperation and Development, Somalia received \$382 million in development assistance in 1982, almost one-third of its gross national product.

The Somali ambassador to the United Nations in Geneva, Fatuma Isak Biini, said Tuesday that U.S. delegates had expressed concern to her about the new exchange-rate policy, but she said it was "unfair" that UN agencies and embassies should receive a rate of exchange "not favorable" to Somalia.

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Reform

administrators in defiance of the United Nations.

If South Africa recognizes the government later this week, it is expected, the United States will consider such action "null and void" and without relevance to the ongoing international negotiations about Namibia's future.

Mr. Shultz, in an interview, said any such action would be a "question of standing."

Angola Pullout Completed

South African troops withdrew from southern Angola Wednesday, the territory also known as Namibia, officials said. The United Press International reported from Johannesburg.

In Cape Town, meanwhile, President Pieter W. Botha met with a political leaders to discuss a proposal for a pre-independence administration, the official said.

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Terrorism In Northern Ireland Hits 10-Year Low

The Associated Press

BELFAST — Terrorism in Northern Ireland fell last year to its lowest level in more than a decade, the province's police chief said in his annual report published Tuesday.

Sir John Hermon, chief constable of the Royal Ulster Constabulary, wrote that while "significant progress has been made, the situation is still unacceptable."

Sixty-four people, including nine policemen, were killed during 1984; that was the lowest number since 1972, when 467 people died. In all other respects, 1984 was the least violent year since 1970, Sir John said.

Northern Ireland has suffered violence involving Roman Catholic and Protestant paramilitary groups. The minority Roman Catholics seek to unite the province with the Irish Republic, while the majority Protestants want to remain under British rule.

In his report, Sir John said, "The terrorist threat still occupies our main efforts and pervades our daily lives; the political impasse and sectarian divisions impinge adversely on our role, and the depressed economic situation exacerbates criminality generally."

He condemned the 44 beatings by guerrilla organizations in 1984 as "a brutal, barbaric continuation of justice involving the use of hooligan sticks or baseball bats, sometimes studded with nails."

"Nothing less than broken limbs and battered bodies satisfy the power lust of the paramilitary godfathers who control such activities, despite their hypocritical utterances about justice and fair play."

He told the 150 members of the



BORDER SWEEP — East German soldiers with mine detectors sweep the "death strip" near the West Ger-

man town of Coburg in northern Bavaria. East Germany is deactivating the mines and erecting new fences.

France Joins Call for Radical Change at UNESCO

Reuters

PARIS — France has joined other Western nations in calling for a radical overhaul of UNESCO amid controversy over the resignation of the agency's deputy director-general, Gerard Bolla.

The French minister for external relations, Roland Dumas, called Tuesday on the United Nations Educational, Scientific and Cultural Organization to implement swift reforms and to avoid political debate.

He told the 150 members of the

French Commission on UNESCO that UNESCO should strive to maintain ideological neutrality "to avoid the politicization of debate" that he said "can only lead to confusion, even to the disappearance of the organization."

It was France's stiffest rebuke to UNESCO. When the United States withdrew from the agency in December, depriving it of 25 percent of its budget, France offered \$2 million to help make up the shortage.

Washington had accused UNESCO of anti-Western bias, mismanagement and overpoliticization.

Mr. Dumas's plan for change occurred as Mr. Bolla, UNESCO's chief spokesman, said he was resigning after a disagreement with the director-general, Amadou Mahtar M'Bow, over his contract.

Mr. Bolla, a Swiss national, said Mr. M'Bow refused to extend his contract through next month, when UNESCO's executive board will meet for talks on reforms and budget cuts.

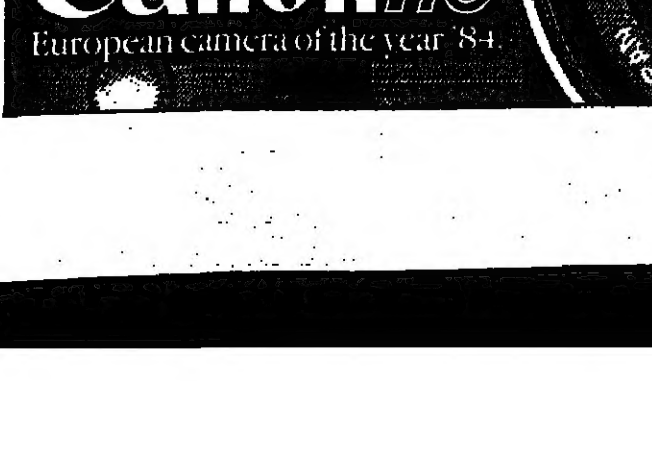
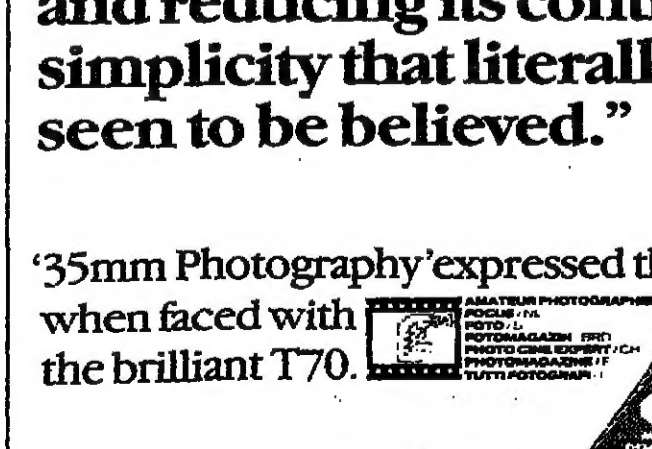
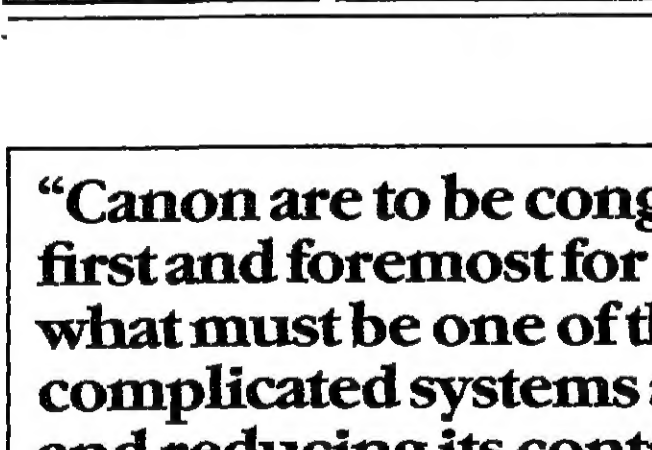
Western diplomats said Mr. Bolla's role in a committee on reforms caused problems with the Senegalese director-general. The committee was to meet

Wednesday ahead of the executive board session next month. UNESCO's general conference is scheduled for Sofia in October.

As well as looking at changes demanded by Western members, the meeting next month is due to take up the problem of the budget shortage caused by the U.S. withdrawal.

Britain and Singapore have said they intend to leave UNESCO at the end of this year unless there is significant reform. West Germany, Japan and the Netherlands have also voiced objections to its policies and management.

DOONESBURY



Bonn Criticizes U.S. System to Identify Jets

Reuters

BONN — Defense Minister Manfred Wörner told a parliamentary committee Wednesday that West Germany would veto a U.S. electronic identification system for NATO combat planes unless it were substantially modified.

Mr. Wörner had been called before the parliament's Defense Committee to explain why he had dropped his backing for a West German system that many experts in the North Atlantic Treaty Organization consider superior to the U.S. system.

The committee chairman, Alfred Biele, said Mr. Wörner assured members that Bonn was insisting on a full share in the development of the U.S. system and would approve it only if it were modified to eliminate any danger to civil air traffic.

Mr. Wörner was criticized upon his return from Washington earlier this month after the Pentagon announced he had consented to an electronic identification system that uses the band D radio frequency used by civil air communications. The United States calls its system Identification Friend or Foe, or IFF.

Opposition Social Democrats

and some members of the ruling center-right coalition have accused him of betraying national interests. They contend he should have insisted on a system designed by the West German company Siemens, which operates on different frequencies.

Electronic identification systems use radio signals to distinguish between enemy and allied planes. Western nations now use differing systems, which could cause NATO to shoot down its own planes.

All NATO countries agree that a uniform system is needed, but progress toward establishing one had been deadlocked by West German lobbying for the Siemens system.

Mr. Wörner insisted he was forced to drop support for the Siemens system because the United States considered it too expensive and Bonn had no backing from its European allies.

Mr. Biele quoted him as saying, however, that he had not agreed to the proposed U.S. alternative, Mark 15, but had agreed in principle to work toward a compromise.

He said that the U.S. defense secretary, Caspar W. Weinberger had told Mr. Wörner that West Germany would be able to participate fully in development of a U.S. system and would be compensated in arms orders for its investment in the Siemens research.

French Communists Assail New Law

Reuters

PARIS — The French Communist Party, once the junior partner in government with President François Mitterrand's Socialist Party, has launched its strongest attack yet on its former allies.

The party's political bureau denounced the Socialists for adopting a form of proportional representation for parliamentary elections in 1986 that is likely to hurt minority parties like the Communists.

The Communists took part in the "union of the left" that swept the right out of office in the 1981 presidential elections and the parliamentary elections that followed.

But the Communists, who had four ministers in the government of Prime Minister Pierre Mauroy, withdrew in July because of disagreements with the Socialists on economic and social policies.

The Communist statement, issued Tuesday, said: "The situation is not getting any better. Millions

of French people live a poor life."

It said disastrous economic and social policies were now coupled with an attack on democracy.

"The electoral law for 1986 is marked by its capacity to weaken the Communist Party while favoring the old-style political groupings," the statement said.

Political analysts say the new system will have the effect of en-

larging the National Assembly, while leaving smaller groups such as the Communist Party with proportionately fewer seats.

The Socialists and the right-of-center Rally for the Republic and Union for French Democracy parties stand to gain more seats. The two rightist parties have signed an electoral cooperation agreement for 1986.



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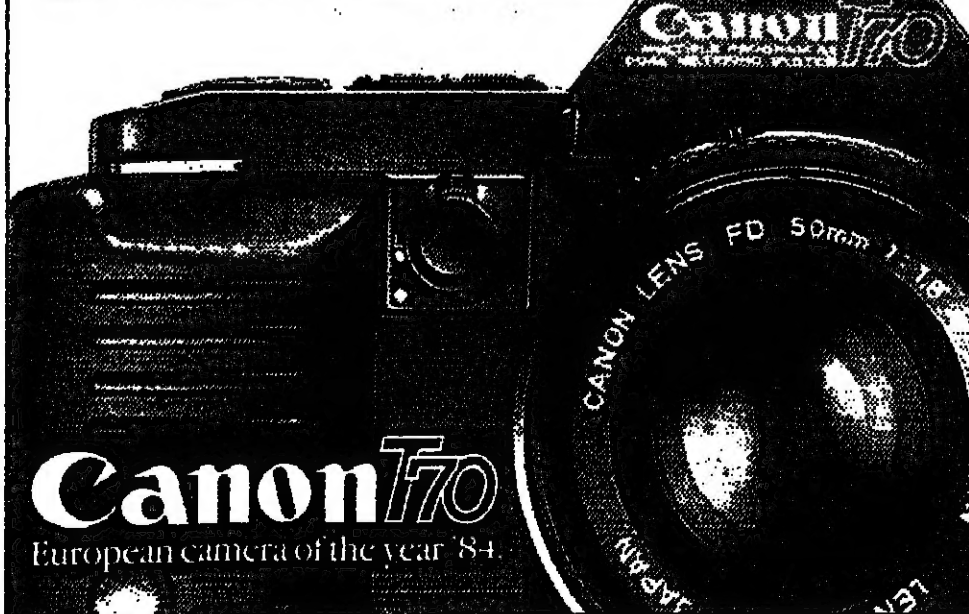
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INTERNATIONAL Herald Tribune

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Aid and Family Planning

Conservative groups opposed to family planning have turned their fire on the administrator of the U.S. Agency for International Development, Peter McPherson. What they are trying to do is block humanitarian assistance to some of the world's neediest people.

In a recent meeting with Mr. McPherson, the Stanton Group, a coalition of about 40 conservative groups, denounced continued U.S. support for United Nations population aid programs. Following up on complaints to the president by Senator Jesse Helms, Representative Jack Kemp and others, spokesmen for the coalition charged that Mr. McPherson ignored an amendment passed by Congress last fall when he released part of a U.S. grant to the UN Fund for Population Activities.

But the legislation in question was specifically drafted after thorough House debate, to allow continued U.S. grants to the UNFPA. The language only prohibits granting money directly to organizations or countries that support coerced abortion. The UNFPA does not support voluntary abortions, much less coerced ones, but conservatives argue that the organization is tainted because it gives several million dollars to China for other specified purposes. Actually, amendments that could have blocked all commerce with China were specifically rejected in Congress. It earmarked \$46 million for the UNFPA after the debate.

Given this clear directive, Mr. McPherson's agency had no choice but to release the money. It is probably exceeding its discretion in withholding \$10 million from the UNFPA to signal its disapproval of reported coercive practices in China. But this nicety does not slow down the conservatives, who have made it increasingly clear that their real target is any form of family planning aid. Recently, Faith Whitley, a presidential assistant, wrote Mr. Reagan on behalf of "one of the president's key constituencies" to express disapproval of AID policy giving grants to contractors and agencies that promote "unnatural chemical or mechanical measures" for birth control.

Since U.S. law has long forbidden support for any form of abortion, these "unnatural" methods are nothing but the same forms of birth control used by the great majority of U.S. women of childbearing age. The groups whose cause is being pressed would deny to some of the world's poorest people the ability to determine the number and spacing of their children. That is a choice essential to improving the health and well-being of families and to reducing resort to abortion and infanticide.

This is cruel. But so is the Stanton Group's attempt to end aid to starving people in Ethiopia and Mozambique because they are unfortunate enough to have Marxist governments. To its credit, the Reagan administration has thus far rejected these mean-spirited demands.

—THE WASHINGTON POST.

Honoring German Victims

As he now concedes, President Ronald Reagan has made a mess of his symbolic journey to West Germany next month. But his latest remedy perpetuates the moral confusion. Even if he finally visits a former concentration camp, that would hardly offset a tribute at a cemetery containing the graves of SS troops who ran the death camps. The victims and the butchers of Nazism are not equatable.

There is no doubt about Mr. Reagan's sensitivity to the Holocaust; he's been seen crying at evocations of the slaughter of 6 million Jews. There is no doubt, either, about his devotion to the memory of Americans killed by Germans in World War II. Why then did he so tenaciously resist visiting Dachau and why does he insist even now that Chancellor Helmut Kohl commands his schedule?

The charitable explanation is an inordinate desire not to offend a host. The deeper reason is a lack of comprehension of German attitudes and Mr. Kohl's interpretations of them. Mr. Reagan said Tuesday that he wants "to use this visit... to commemorate not simply the military victory of 40 years ago but the liberation of Europe, the rebirth of German freedom and reconciliation of our countries."

Indeed, for months Mr. Reagan insisted that he would do nothing to burden Germans with their Nazi past. The fixation had two inspirations. One was his regret that Mr. Kohl was excluded from D-Day commemorations in Normandy last year. The other was dismay that the Russians are using the 40th anniversary of V-E Day, May 8, to assail today's German-American alliance as "warlike."

Looking to soothe a friend and to defy an adversary, Mr. Reagan closed his mind to serious understanding of sentiment in both societies. He now says he thought Dachau would not fit into an "official agenda." A month ago he gave a still more foolish reason: that there were "very few" Germans still alive who "remember even the war," let alone who committed atrocities against Jews. This from a man who was 34 years old in 1945.

When Bitburg cemetery appeared on the schedule last week, enraging the American Legion, the president gave orders to let the protest run awhile, to gauge its depth. And when American Jews protested that Bitburg turned a Holocaust slight into a grievous insult, he thought he could appease them with a visit to a German synagogue.

Even if Mr. Kohl were cool to Dachau and stubborn about Bitburg, there was always a respectful American response. The anniversary of the end of World War II, as the chancelor says, is the anniversary of Germany's rebirth. It commemorates the spiritual liberation of Germans no less than the physical liberation of the skeletal figures who stumbled out of Dachau. Any meaningful tribute to German democracy is enhanced by recollections of Germany's madness and destruction.

This sad episode shows how much the president values symbols. To get them right he has to insist that his hosts take him to a camp after all, and to a war memorial that honors not Nazi butchers but Germans who were, like many Americans, their victims.

—THE NEW YORK TIMES.

The Dollar Slides, Gently

The dollar's exchange rate has now been sliding downward for six weeks. It has been a rather rapid decline, but it has been orderly and serene. The exchange rate is back roughly where it was late autumn — still too high, but moving in the right direction.

For this improvement, much of the credit goes to Ohio and the crisis in its Savings and Loans. That was the event that brought the dollar off its perilous high in early March. The rumors of impending failures, and the Ohio governor's dramatic decision to close the state-insured S&Ls, caught the attention of foreign investors and set them to wondering whether they really wanted to keep pouring their money into institutions in the United States.

By pure luck, the Ohio affair was a crisis of just the right size. It was sufficiently serious to make money managers a little more cautious about piling up their dollar holdings endlessly. But it did not do much permanent damage. It broke the momentum of a speculative surge into the dollar. But it did not set off a panic, or start the flight from the dollar that has become the nightmare haunting mismanaged foreign accounts in the United States.

As financial earthquakes go, this one was considered to rate low on the Richter scale. Everybody felt the tremors; there was some broken glass but no real structural damage.

Next, the Commerce Department published the first preliminary estimate of the country's economic growth rate in the first quarter of this year. It turned out to be much lower than most investors had expected and warned them that the prospects for profits here might not be quite so certain as they had thought. The dollar kept declining, albeit slowly.

No one knows whether it will keep going down or, once again, reverse itself. The rate is being set in the daily trading of currencies throughout the world and no authority controls it. The dollar is still substantially overvalued in terms of the goods that Americans buy and sell. If it continues to drop, the effects will depend on timing and the relation to action on the federal budget deficit here in Washington.

If the administration succeeds in reducing the budget deficit and the Treasury no longer needs to borrow at the present gigantic pace, interest rates in the United States will come down and the foreign money bags, looking for high returns, will go elsewhere.

But if the dollar drops while the federal government is still running deficits over \$200 billion a year, the consequences will be unpleasant. A falling dollar will frighten off the foreign investors who have been sending their money here. In the absence of the money that they have been pouring into U.S. credit markets, interest rates here will rise sharply and threaten another severe recession. The financial movements can swing very fast while, unfortunately, the administration is making only slow progress with the budget.

—THE WASHINGTON POST.

FROM OUR APRIL 18 PAGES, 75 AND 50 YEARS AGO

1910: Governor Killed in China Riot
SHANGHAI — According to the latest advice from Chang-Sha, the city is in flames, the Governor has been killed and his official residence destroyed, and all the officials have fled. The Chinese officials issued a notification to the effect that they were unable to protect foreign life and property. This message was probably the signal for a general exodus. Six thousand troops are at Chang-Sha. A few of these protected the Governor's residence at first, but they subsequently joined the rioters. All foreign-owned buildings and shipping hulks have been destroyed by fire and buildings rented by foreigners have been looted. There have been minor riots at Hankow, and strikes have been declared at the tea factories.

1935: Louisiana Seizes Federal Aid
BATON ROUGE — The Louisiana Legislature virtually declared war against the United States [on April 17] when the Lower House, taking up the threat of Interior Secretary Harold I. Ickes to Senator Huey P. Long's political domination of the state, passed a bill to seize control of all Federal relief money coming to the state. Secretary Ickes threatened to withdraw \$1,800,000 which the Public Works Administration allotted to the New Orleans Sewer and Water Board if Senator Long disallowed it under the dictatorial power the State Legislature granted him. The Louisiana National Guard is patrolling the Legislative corridors, as Baton Rouge has been under martial law since the anti-Long revolt in January.

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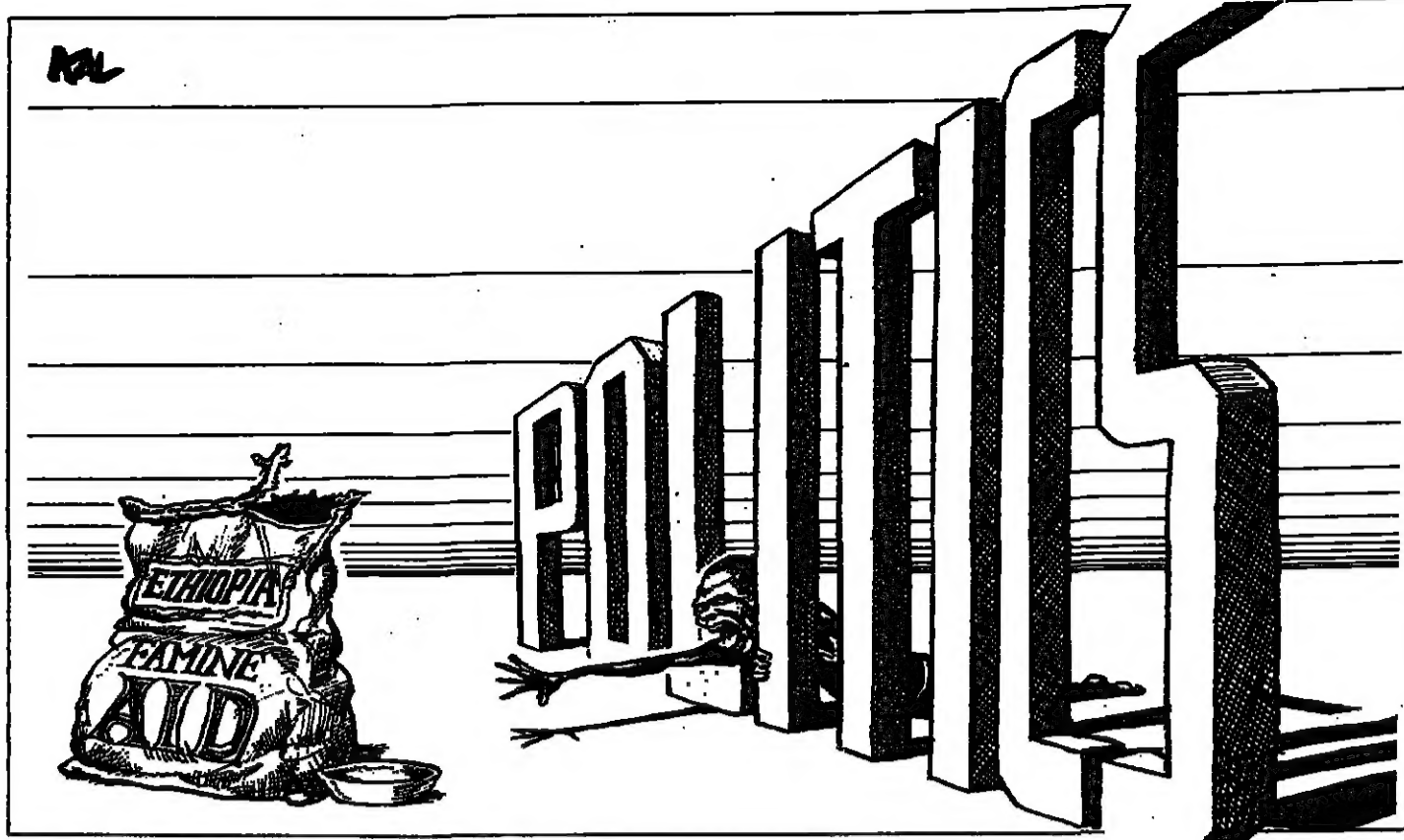
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Asia Headquarters: 24-24 Hennessy Rd., Hong Kong. Tel. 5-285618. Telex 61170.
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The Advantages of Going Back to Bretton Woods

By Hobart Rowen

PARIS — No one should accuse the Reagan administration of consistency for consistency's sake. After months of saying a loud "No!" to European demands to do something about the overvalued dollar, the administration, in the person of Treasury Secretary James A. Baker 3d, last week sent out a call for a new international monetary conference.

On March 25, at a breakfast with reporters, President Ronald Reagan had firmly rejected the idea.

"This (talk of monetary reform) has come up before in international meetings," Mr. Reagan said. "There are others that look back at Bretton Woods and... wonder should we take another look and see (if) there have been distortions, or whether something better can be worked out."

Yet, in a surprise move 18 days later, Mr. Baker told the 24-nation Organization of Economic Cooperation and Development here that the United States is willing to consider holding a high-level conference "to strengthen the current system," if it is convinced it would be of value.

To be sure, the idea is a bit vague, and is put forward only to patch, fix or improve the present system, not to overthrow it for something brand-new. Something more radical is proposed by advocates of a full-scale, Bretton Woods-style conference, like the first one in 1944 that not only created a monetary system from scratch, but launched the still-existent International Monetary Fund and World Bank. However Mr. Baker's vista is much narrower.

Nonetheless, the administration has made a basic and important change in policy. It did so deliberately, as one high official said privately, "to pre-empt the French."

For the past two years, President François Mitterrand of France has desperately tried to get the world to go back to the fixed exchange rates

After Mr. Mitterrand proposed a Bretton Woods II in 1983, the summit countries chartered a study of the monetary system by the finance ministers of the 11 leading nations. With this report about finished and sensing sober concerns about instability of the monetary system, Mr. Baker consulted White House Chief of Staff

When the rate of the dollar precipitates a crisis similar to the Depression in the farm economy and makes competitive mince meat out of highly efficient modern industries, something is wrong.

that were set at Bretton Woods. These began to break down in the late 1960s. First, the Vietnam War inflation and then the initial oil price rise in 1973 by members of the Organization of Petroleum Exporting Countries gave the coup de grace to the Bretton Woods system.

Mr. Mitterrand has the quaint idea that Humpty Dumpty can be pasted back together again, and that in a restored world of fixed rates, the franc somehow will be stronger in terms of the dollar. No one else seems to believe that, but the spectacular surge of the dollar in recent months against all currencies has given many others — not just the French — a severe case of the jitters. They wonder what will happen if the dollar plunges as quickly as it went up?

Donald T. Regan and decided to act. "We have no embarrassment in making a shift," a White House source said. "In effect, we said, 'Okay guys, if action is needed in this field, we're going to lead it, not you.' The leading economic power is also the leading monetary power."

In his regime as Treasury boss, Mr. Regan had twice come to the brink of a similar proposal. First, more than three years ago, he made headlines by talking of a new monetary conference. Nothing came of that.

Then, after some of the same issues were raised at the London economic summit last year, Mr. Regan told reporters that he could see the wisdom in a get-together of major powers to discuss various improvements in the system. He made a proposal to

that effect at the annual meeting of the IMF and World Bank in Washington last fall. And this was supposed to take place in Washington this week at regular meetings of the IMF and World Bank policy boards. But as an IMF source said after Mr. Baker's initiative: "Everybody's forgotten about Regan's proposal."

There are many ways in which the IMF and the World Bank can be strengthened to become better managers of the world's monetary and debt systems, provided the major nations allow these international bodies to share their political power. It means a more attentive and sympathetic ear to the economic and financial requirements of the Third World.

This may be too much to ask of mortal national politicians. But it is worth a try. I am not sure that this is precisely what Messrs. Reagan, Baker and Regan have in mind.

But a process has been started and it could evolve into something constructive. Looking at it just from an American perspective, when the rate of the dollar precipitates a depression-like crisis in the farm economy, and makes competitive mince meat out of highly efficient modern industries, something is wrong.

Doubters should be able to tell quickly whether Mr. Baker's initiative was merely a ploy to sidetrack the French, or whether the administration means business. Perhaps complaints about the dollar from well-placed Republican businessmen are beginning to pay off.

The Washington Post.

Lessons From Grenada Should Apply to Nicaragua

By Michael Ledeen

WASHINGTON — A few years ago, a Polish émigré named Thomas Chernowsky decided to take a look at the new revolutionary society of Nicaragua. Within a few days this former member of the Solidarity trade union found himself in a Sandinist prison. The man in charge of the prison, which was reserved for political prisoners, was a Palestinian; the interrogators were Cubans.

After several months, Mr. Chernowsky managed to win his release and made his way to Costa Rica, where he wrote a book about his experiences. He is convinced that the Nicaraguans have learned more in five years from the Cubans than the Poles learned in 40 from the KGB.

Mr. Chernowsky is not the only Pole to have an acute understanding of the kind of "revolution" that is spreading from Cuba into Central America and the Caribbean. Dr.

Adolf Bierzynsky, a veteran of the Polish Army and the Allied 8th Army in World War II, served briefly as president of the Preventive Detention Tribunal in Grenada under the People's Revolutionary Government of Maurice Bishop. Like Mr. Chernowsky, Dr. Bierzynsky was enthusiastic about the revolution, and he eagerly accepted the offer of a post in the new government. Within months, he discovered that Grenada was in the hands of a Communist regime that took its direction from Cuban overseers whether in the construction of an airport or in the indoctrination of the Grenadian people.

As we now know (thanks to the capture of the complete archives of the Grenadian regime, and their easy access in the National Archives in Washington), the People's Revolu-

tionary Government placed itself, willingly and enthusiastically, in the Soviet empire, and asked the Kremlin what it should do. The Russians gave orders through the Cubans, and sent East Germans, Bulgarians, Libyans, Nicaraguans, North Koreans and PLO officials to run the system.

And all the while Maurice Bishop lied to his people and to the rest of the world, saying that his was a nationalistic revolution, that he had no intention of threatening anyone, that he was a true democrat and that he would maintain pluralism.

In reality, as Mr. Bishop told the Central Committee of the island's Communist party, the New Jewel Movement, he was preparing the terrain for a single-party dictatorship of the Soviet sort. Pending its installation, party members were instructed to keep the real intentions of the regime secret and act as if democratic forms would be respected.

As the two infertile Poles discovered, we can learn a lot about Nicaragua by studying Grenada. The Grenadians imported Cuban and Nicaraguan experts on religion to help subvert the Christian churches on the island. The Cubans brought manuals on "scientific atheism," while the Nicaraguans brought experts on the creation of "people's churches" to replace the island's traditional religious institutions.

Nicaraguans also came to teach how to cheat the International Monetary Fund by keeping two sets of books. And Grenada worked with Nicaragua to subvert democratic socialism in the region through a clandestine, Cuban-run regional caucus.

So the working relationship between the two countries was an intimate one. And Grenada's relationship to the Soviet Union was clarified by Marshal Nikolai Ogarkov's statement to the Grenadian chief of staff that "a few years ago all we had in your part of the world was Cuba; now we have you, Nicaragua and a war going on in Salvador." Still, I have not seen any of the self-proclaimed experts on Central America racing to study the Grenada documents, where Marshal Ogarkov's statement can be found.

This is a shame, because when we get the Nicaragua documents they will be the same, only more so. For Grenada is a tiny island of about 100,000 people; Nicaragua is a nation of 2.8 million. When we learn of a conversation with the Soviet foreign minister, Andrei A. Gromyko, to the effect that Maurice Bishop had spent about \$300,000 in a little more than a year to support subversive movements in the Caribbean, we can reasonably conclude that Nicaragua has spent many times that figure.

I was recently in Grenada, and spoke with many people about the four years of the People's Revolutionary Government. I asked them all why they thought that so few people outside Grenada realized what was going on there. The most common

answer went to the heart of totalitarianism: "If you had come here during those years and asked about Grenada, I would not have told you the truth. I would have been afraid."

The same holds true today in Nicaragua. The Sandinists are doing their best to terrorize their own people and their neighbors. Nicaraguan support for the guerrilla war against President José Napoleón Duarte's democratic government in El Salvador is well known, but the Sandinists' campaign against democratic Costa Rica is rarely reported.

In the past few months, the Costa Ricans have uncovered a new level of organized crime. A "mafia" was created by people who, according to police sources quoted in a local newspaper, appear to have been trained in Cuba, Nicaragua and Libya.

In Nicaragua, uncooperative Indians have been uprooted by the tens of thousands, church leaders and businessmen have been intimidated and the Jewish synagogue in Managua has been fire-bombed.

It is unpleasant to recognize Nicaragua for what it is, because that recognition compels us to take action to defend the democratic countries of the region against the Sandinist threat. Yet there is no excuse for a failure to understand Nicaragua. Grenada provides a thoroughly documented model. Those who vote to deprive President Reagan of the means to bring pressure against the Sandinists will have to explain why they have refused to learn.

The writer, a senior fellow in international affairs at Georgetown University's Center for Strategic and International Studies, is the author of "Grave New World." He contributed this column to the Los Angeles Times.

LETTERS TO THE EDITOR

Vietnam: Once Burned...

Regarding "Vietnam Taught a Lesson That Some Failed to Learn" (April 9) by George W. Ball:

No one can argue with the former undersecretary in his retrospective views of horror and waste in Vietnam. However, when a future conflict shows signs of developing, Mr. Ball should not wait for a national consensus to develop behind the assumptions that the conflict is relevant, or it is supported in the country, or it is weather is nice over there.

If the United States adopts a policy of taking no action for any reason (dominoes included) except direct

Camp Visit By Reagan Is Wise Plan

By Tom Wicker

NEW YORK — President Ronald Reagan wants to emphasize "the spirit of reconciliation" between the United States and West Germany. That was why, according to his spokesman, the president believed that visiting the former Nazi concentration camp at Dachau would send Germans "the wrong signal."

But that fear, if it had not been partly overcome this week, may have endangered rather than served the president's good intentions.

In fact, the major problem with Mr. Reagan's disputed European itinerary was not his plan to visit a German war cemetery, which has provoked Jewish, veterans and other groups in this country. The real mistake was his earlier decision not to visit Dachau. Because he is now to visit the site of a concentration camp, as yet unnamed, there are no more grounds for complaint about the cemetery visit than Germans would have if Chancellor Helmut Kohl were to lay a wreath at Arlington.

The strongest reason why Mr. Reagan should visit a camp site is precisely that "spirit of reconciliation" the president rightly wants to foster. Actually, when he pictured his decision not to visit a concentration camp as a gesture of reconciliation with Germans, he indirectly, and certainly inadvertently, suggested that all Germans are collectively guilty of the Holocaust that Dachau and other notorious names — Auschwitz, Buchenwald, Treblinka — symbolize.

And equally indirectly, Mr. Reagan suggested that it is time now, in the name of reconciliation, to forget or discreetly overlook the horrors perpetrated in those places.

Neither proposition is true. All Germans — and not just those born too late to participate in Nazi activities — are not responsible for the death camps. And it will never be a time to forget the camps.

Karsten Voigt, a foreign policy spokesman for the West German Social Democratic Party, recently visited the United States and spoke passionately of his and his party's belief that Mr. Reagan should visit Dachau. In his view, such a gesture would be "an act of solidarity" with what Mr. Voigt called "the other Germany."

This other Germany is not just the democratic republic that rose from the ruins of World War II. It includes "the Germans who were in Dachau and other camps even before the Jews," according to Mr. Voigt, Germans who opposed Hitler after 1933 or played no part in his regime — many of whom emigrated from Nazi Germany — and those Germans who helped defeat Nazism from abroad.

Today's federal republic, Mr. Voigt argued, is a democracy constructed on the foundation of that "other Germany." Thus, a visit to Dachau or another camp by Mr. Reagan as part of his official visit to the federal republic would represent recognition and acceptance of today's Germany. To avoid Dachau or another camp site, as Mr. Reagan had originally intended, would be merely to close his eyes to yesterday's.

Mr. Reagan's visit to a camp will also be a powerful act of remembrance for the millions of Jews and others, including Germans, who suffered and perished in the camps.

Mr. Voigt pointed out that the defeat of Nazi Germany and the liberation of the death camps 40 years ago this spring also brought about the liberation of the "other Germany."

And that other Germany proved willing and able to bring today's German federal republic into being.

A presidential visit to a camp, therefore, symbolizes more than one historic liberation.

That may not be a congenial view to those Americans and others who still bear the scars of a terrible war and tend to place the responsibility for it indiscriminately on "the Germans." And in both Washington and Bonn it may have seemed better, at first glance, to turn official heads away from that war's greatest evil than deliberately to face it.

But Mr. Reagan is an agile politician who has reversed his decisions on other important matters. The decision to visit a camp site announced on Tuesday showed Mr. Reagan as a communicator who can put an agreeable face on tough decisions.

And he could hardly do more for true reconciliation than to make a gesture that recognizes today's Germany as a profoundly different country from the Third Reich, and symbolizes the determination of Americans and Germans never again to countenance the horrors that culminated in the death camps.

The New York Times.

No Center, But Dynamic

Regarding the report "Self-Conscious Dallas Is Advised to Grow Up by Getting Down to Earth" (April 4):

Your condescending report amuses me. It is so typical of the attitudes of those East Coast academics who seriously doubt that intelligent life can exist west of the Pecos. Perhaps instead of making fun of Dallas the author and the urbanologist he quotes ought to try to learn from it. They just might find that Dallas — and Los Angeles, which also has no center — are by far two of America's most dynamic metropolises, precisely because they refuse to conform to tired ivory-tower preconceptions of what a city ought to be.

THOMAS E. FREEAR, Paris.

Letters intended for publication should be addressed "Letters to the Editor" and must contain the writer's signature, name and full address. Letters should be brief and are subject to editing. We cannot be responsible for the return of unsolicited manuscripts.

Camp Visit By Reagan Is Wise Plan

By Tom Wicker

NEW YORK — President Ronald Reagan wants to visit the site of the former Nazi concentration camp at Dachau, Germany. That was why, according to a spokesman, the president is planning to visit the site of the former Nazi concentration camp at Dachau, Germany. But that fear, if it had not been overcome this week, would have endangered rather than served the president's good intentions.

In fact, the major problem with Mr. Reagan's proposed visit to the site of the former Nazi concentration camp at Dachau, Germany, was not his plan to visit the site of the former Nazi concentration camp at Dachau, Germany. It was his plan to visit the site of the former Nazi concentration camp at Dachau, Germany. But that fear, if it had not been overcome this week, would have endangered rather than served the president's good intentions.

The strongest reason why Mr. Reagan should visit a camp site is that it is a symbol of reconciliation. President Reagan is not just a president; he is a symbol of reconciliation. When he is pictured visiting the site of the former Nazi concentration camp at Dachau, Germany, he is not just a president; he is a symbol of reconciliation. When he is pictured visiting the site of the former Nazi concentration camp at Dachau, Germany, he is not just a president; he is a symbol of reconciliation.

Neither proposition is the Germans' — and not just the Germans' — are not responsible for the death camps. And it will not be too late to participate in Nazi ties — are not responsible for the death camps. And it will not be too late to participate in Nazi ties — are not responsible for the death camps. And it will not be too late to participate in Nazi ties — are not responsible for the death camps.

Karsten Voigt, a former spokesman for the West German Social Democratic Party, recalled the United States and his nation's role in his view, such a gesture would be "an act of solidarity" with the victims of the Holocaust. Voigt called "the other Germany" a "democratic republic" that was the ruins of World War II. "The Germans who were in the camps and other camps even had Jews," according to Mr. Voigt, "and they played no part in the many of whom emigrated from Germany — and those Germans helped defeat Nazism from today's federal republic."

Voigt argued, is a democracy constructed on the foundation of "other Germany." This is Dachau or another camp site, as part of his official visit to the federal republic would recognize and acceptance of Germany. To avoid Dachau or another camp site, as Mr. Reagan originally intended, would be to close his eyes to history.

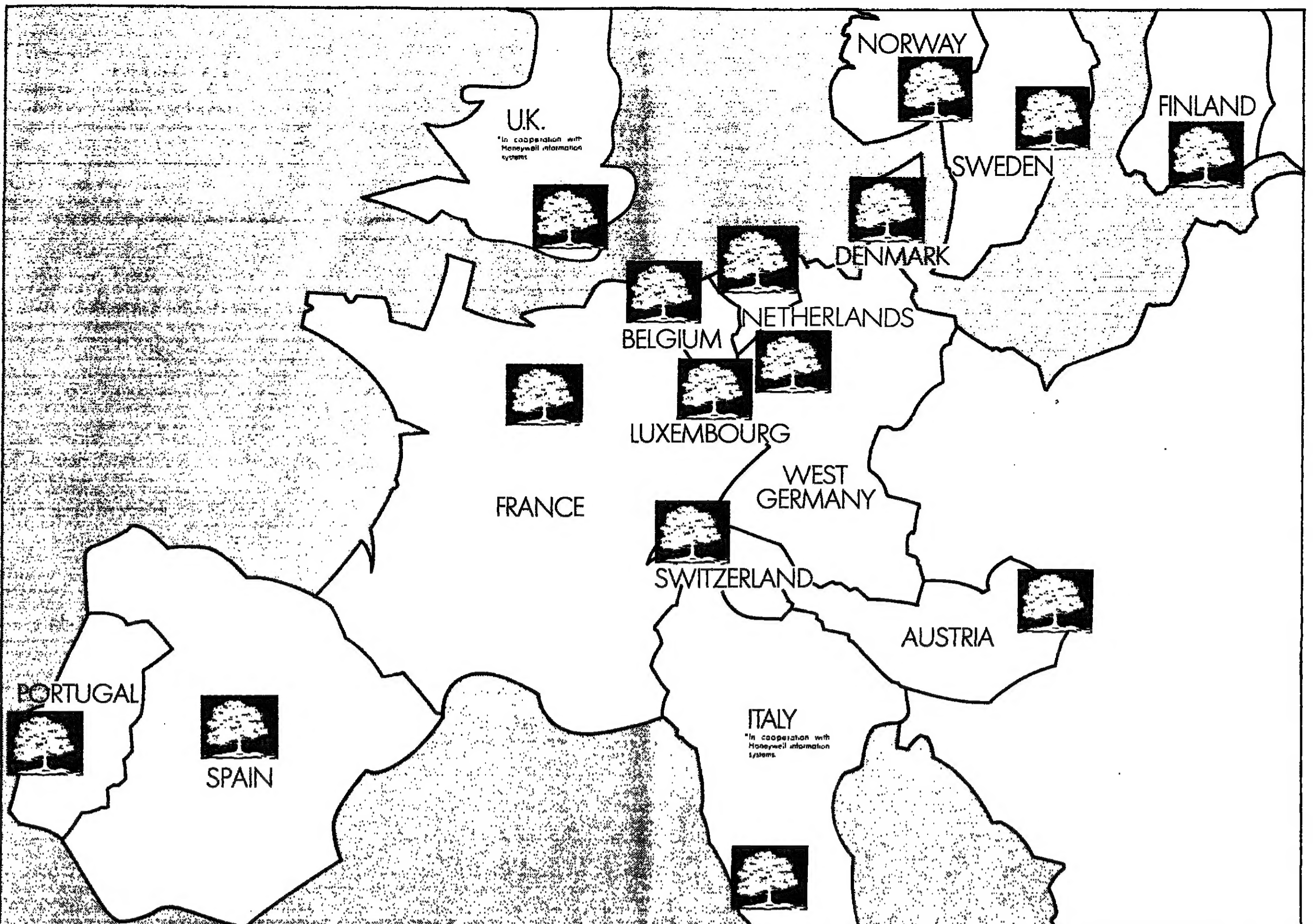
Mr. Reagan's visit is also a powerful act of defiance for the millions of others, including Germans who suffered and perished in the camps. Mr. Voigt pointed out that the defeat of Nazi Germany and the liberation of the camps is a symbol of the triumph of democracy over tyranny. And that other Germany, the federal republic, is a symbol of the triumph of democracy over tyranny.

A presidential visit to the site of the former Nazi concentration camp at Dachau, Germany, is a symbol of the triumph of democracy over tyranny. Therefore, it is a symbol of the triumph of democracy over tyranny. Therefore, it is a symbol of the triumph of democracy over tyranny.

That may not be a reason to those Americans and others who still bear the scars of a war that ended in the triumph of democracy over tyranny. But Mr. Reagan is a man who has reversed the tide of history. He is a man who has reversed the tide of history. He is a man who has reversed the tide of history.

Mr. Reagan's visit to the site of the former Nazi concentration camp at Dachau, Germany, is a symbol of the triumph of democracy over tyranny. Therefore, it is a symbol of the triumph of democracy over tyranny. Therefore, it is a symbol of the triumph of democracy over tyranny.

The New York Times



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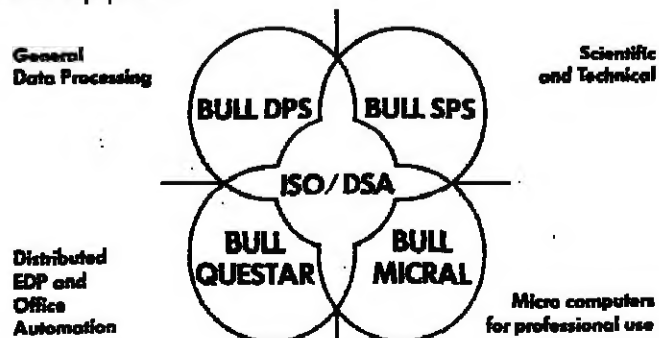
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BULL - The Commitment to Europe

BULL's commitment to Europe is total. It is involved in 17 projects in the Esprit program, set up by the European Commission to aid international cooperation in information technology, and is taking a leading role in two of them.

One of these, the Esprit Information Exchange System, or EIES, in conjunction with GEC, ICL, Olivetti and Siemens, is a communication network for participants of Esprit. The second project is for the joint development of software engineering with the same group of companies as EIES, plus Nixdorf.

BULL is cooperating with other European companies to develop a unified set of standards. At the instigation of the European Commission, the twelve leading European information technology firms, AEG, BULL, CGE, GEC, ICL, Nixdorf, Olivetti, Philips, Plessey, Siemens, STET, and Thomson have formed the Standards Promotion and Applications Group, SPAG and have agreed on a common set of standards (OSI) for interconnecting their system. Another agreement involving six major firms (BULL, ICL, Nixdorf, Olivetti, Philips and Siemens) resulted in the formation of the Open Group for Unix System, for developing a common application software environment.

BULL's deep seated commitment to Europe doesn't end there. At the beginning of 1984 the European Computer Research Centre, ECRC, created jointly by BULL, ICL and Siemens, opened its doors in Munich. Its activities are intended to enhance the future competitive ability of the European information technology industry. The centre's field of activity covers the technologies needed to improve the process of machine assisted decision making.

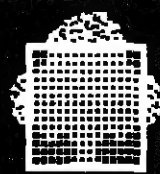
At international level BULL has also built up a long-standing agreement with Honeywell, a deal with Ridge for the development, production and marketing of a range of scientific super minis, a technical agreement with Convergent Technologies for distributed EDP and office automation, and an arrangement with NEC which will lead to the introduction of a very large data processing system in order to complete its DPS 8/88 range running under BULL GCOS 8 operating system.

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THE EDITOR

physical aggression on a... then it indeed becomes... America — and it had been... build the walls of its... MACK AIKEN M... 1985

No Center. But One

Regarding the report... serious Dallas is... Getting Down to Earth... Your condescending... amuses me. It is so... attitudes of those East... who seriously doubt... gent life can exist w... nos. Perhaps instead of... Dallas the author and... list he quotes ought to... from it. They just m... Dallas — and Los An... also has no center —... America's most dynam... lises, precisely becau... conform to tired non-w... ceptions of what a ci... THOMAS P...

SCIENCE

Lasers Gauge Changing Interval Between Earth, Moon

By Walter Sullivan
New York Times Service

By bouncing light from a newly developed laser off reflectors left by astronauts on the Moon, astronomers have taken new measurements of the constantly changing distances between the Earth and the Moon.

The scientists said they believed the measurements, across perhaps 230,000 miles of space, were accurate to within an inch, 10 times more accurate than any made in the past.

The astronomers used a special 80-lens telescope at the Mount Haleakala Observatory of the University of Hawaii to receive the short-pulse laser beams.

The measurements, combined with others being made with increasing accuracy from Texas and France, are providing detailed records of day-to-day changes in the rotation of the Earth and the slight wobbles it makes as it spins on its axis. They also record lunar motions caused by subtle gravitational effects arising from the influences of relativity.

By analyzing the new data, scientists expect to gain better understanding of the forces deep within the Earth that set off great earthquakes, as well as the variations in the Earth's rotation that have been linked to such devastating effects as El Niño, a cyclical warm-water ocean current that is believed to cause weather anomalies. An improved understanding of such links might open the way to better predictions.

Other methods of determining the distance between the Earth and

the Moon include triangulation, in which angles to a point on the Moon are measured from points on the Earth whose separation is known; and radar, in which radio waves are bounced off the lunar surface. These methods showed that the distance between the centers of the Moon and the Earth varied from 221,463 to 238,857 miles.

Bursts of laser light lasting 200 trillionths of a second, the time it takes light to move about two inches, are shot up and strike mirrored reflectors placed amid the dust and rocks of the lunar surface by Neil A. Armstrong and Edwin E. Aldrin Jr. of the Apollo 11 mission in 1969 and by astronauts who followed on Apollos 14 and 15. Similar French-made mirrors are on the two Lunakhod mobile robots landed on the Moon by the Soviet Union.

The observatory is on the Hawaiian island of Maui, on the summit of a presumably extinct volcano whose giant crater, large enough to hold Manhattan, contains cinder cones and miniature craters forming a black and sulfurous landscape much like that of the Moon.

The laser beam is aimed by a moving mirror that keeps it pointed precisely at the lunar target despite the constantly changing relative position of the observatory and the Moon. The beam's green light is a part of the spectrum that allows it to pass virtually unimpeded through the air. Nevertheless, the billion-watt pulses are so intense that they leave a trace jabbing through the atmosphere toward the Moon. Under ideal conditions the naked eye can see the returning signal.

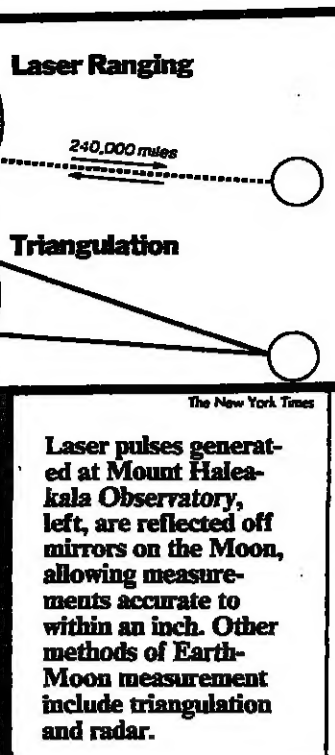
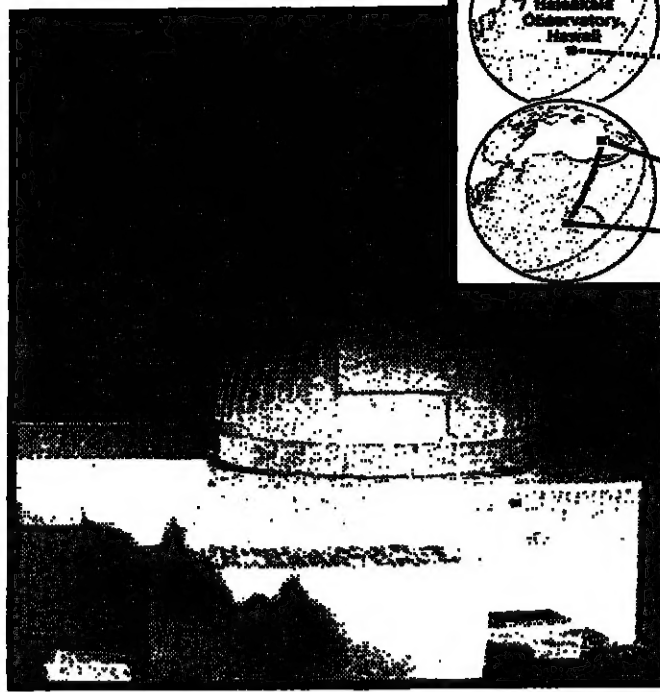
So narrow are the outgoing and returning laser beams, however, that if one wanders more than a few hundred yards from the transmitting and receiving site the signal can no longer be seen.

The pulses carry enough energy to damage the eyes of aircraft crews or passengers. The Federal Aviation Administration thus requires that the beam not be turned on until the Moon is more than 20 degrees above the horizon. In almost all directions from the vantage point of the summit, more than 10,000 feet above sea level, that horizon is formed by the Pacific Ocean. A watch is kept for aircraft that might come close enough to enter the beam.

The laser ranging is part of a program of the National Aeronautics and Space Administration administered by the Institute of Astronomy of the University of Hawaii. Louis S. Macdonald, the local project manager, said distance measurements to the moon were being made with a precision of 1.7 centimeters, or two-thirds of an inch.

The readings, however, are not instantaneous but are derived from prolonged laser pulsing and analysis by the Jet Propulsion Laboratory, in Pasadena, California.

Dr. Jean Dickey of the Jet Propulsion Laboratory said two laser ranging systems at the McDonald Observatory of the University of Texas were obtaining distances accurate to about 10 inches and one at Grasse, France, is achieving slightly better readings. She termed the Hawaiian observations "extraordinary."



'Creep Meters' Watch for Predicted Quake

New York Times Service

SANDRA Schulz carries a "beeper" radio link all day and puts it on her bedside table at night. It will sound an alarm if one of seven "creep meters" along the San Andreas Fault near Parkfield, California, records significant motion.

Her colleagues at the U.S. Geological Survey in Menlo Park, California, do likewise. Dr. Allan G. Lindh carries one linked to a network of 250 seismometers, 11 of them in the Parkfield area, to warn him of any earthquake greater than magnitude 3, which is barely perceptible to most residents.

The geologists are on watch for early signs of the first earthquake whose severity, timing and location will have been predicted and officially announced in advance.

Sometime in the next few years, probably in early 1988, the data indicate, there will be an earthquake of magnitude 6 on a 16-mile section of the San Andreas Fault centered near Parkfield, almost halfway between San Francisco and Los Angeles.

Such an earthquake in a densely populated area would cause considerable damage. But Parkfield, as noted by Dr. Lindh and a colleague, Dr. William H. Bakun, who have compiled data supporting the prediction, lies in a sparsely inhabited region of large cattle ranches and sturdy wood-frame houses that have repeatedly survived such quakes.

The prediction is based in large measure on the record of earthquakes that have occurred in the Parkfield area at intervals of roughly 22 years. Only one, in 1934, was significantly out of phase. The quakes, remarkably alike in many ways, took place in 1857, 1881, 1901, 1922, 1934 and 1966.

One concern is that the quake might spread southeast along the fault beyond the Parkfield sector far enough to release pent-up strain northeast of Los Angeles. It is suspected that the earliest known rup-

ture of the fault at Parkfield had such an effect, generating the great Fort Tejon earthquake of 1857.

No earthquake at Parkfield since then has spread beyond that sector of the fault. Nevertheless, the Geological Survey announced, federal and state panels that have evaluated the evidence have concluded that the next quake may be larger than the last one.

Several years ago, fears of a great earthquake, particularly in Southern California, led the National Security Council to commission a study of such a quake's consequences and of possible preparation.

Based on this study, the Federal Emergency Management Agency concluded that the chances were "high" that a quake of very great magnitude (8.3) would hit the Los Angeles-San Bernardino area in the next 20 to 30 years.

Accounts of the more recent Parkfield earthquakes suggest that the next may be preceded by a variety of warning signs. Nine hours before the 1966 earthquake, an irrigation pipe crossing the fault was broken. A week before, cracks appeared in the soil cover.

In 1934 and 1966, similar foreshocks were recorded 17 minutes before the main quake. Records of the Parkfield quakes in 1922, 1934 and 1966 by an instrument in the Netherlands are almost identical.

The Parkfield area has been saturated with monitoring devices. Every other night, a local teacher climbs to a laser station on a rise of land near the fault and aims its beams toward reflectors a mile or two away in 11 directions. This can reveal deformations of the landscape amounting to a fraction of an inch.

More than a score of instruments sense slight tremors. Fifty devices are primed to record strong motions. Others watch for changes in tilt of the terrain. Dr. Robert Wallace of the Geological Survey called this array of instruments "the primary field experiment in earthquake prediction, perhaps in the world."

IN BRIEF

Insulin-Producing Cells Transplanted

BOSTON (AP) — With miniature cell transplants, doctors hope to achieve one of medicine's most elusive goals: a way to prevent diabetic blindness and other consequences of diabetes. The experiments are being performed at Washington University in St. Louis and the University of Colorado Health Sciences Center in Denver.

The idea is to replace the insulin-making cells in the pancreas that fail in severe diabetes. If the procedure works, these islet cells will produce insulin naturally and provide the minute-by-minute control of blood sugar that is impossible with insulin injections.

The technique works well in animals, but further refinements are necessary before it can be used widely in people. How long that will take is uncertain, but "there is no doubt that it will eventually work," said Dr. Anthony P. Monaco, chief of organ transplants at New England Deaconess Hospital in Boston, where doctors hope to perform the transplants within two months.

Substances Could Aid in Bone Repair

NEW YORK (UPI) — Two protein-like substances from pulverized cow leg bone could bolster the ability of human bones to repair themselves, a California research company has reported in the Proceedings of the National Academy of Sciences.

Dr. Saied M. Seyedin and other researchers at Collagen Corp. in Palo Alto said they isolated and purified two similar protein-like substances, called cartilage-inducing factors A and B. In a lab dish, these factors stimulated formation of cartilage precursors in cells that otherwise did not produce that kind of tissue.

"This technology will encourage healthy bone repair where healing might not otherwise have occurred," said a Collagen spokesman.

Japan Honors American Scientist

BOSTON (AP) — Edward Sylvester Morse, who set up a marine biology laboratory in Japan more than a century ago, has been honored in Japan by Shinto priests sprinkling cherry blossoms over a new bronze memorial and schoolgirls playing John Philip Sousa marches. The Boston Globe reports.

Morse, a native of Portland, Maine, established the lab in 1877 on the island of Enoshima, about 20 miles (32 kilometers) south of Tokyo. "He lit the flame of academic study for us," Eishi Kobayashi, chairman of the Japan Zoological Society, was quoted as saying.

Mr. Morse, later director of the Peabody Museum in Salem, Massachusetts, studied at Harvard but left to do research in Japan on sea mollusks in an effort to support the recently published theories of Charles Darwin.

Designer Enzymes Made in California

SAN FRANCISCO (UPI) — Scientists at the University of California, San Francisco, say they believe they are the first to redesign an enzyme to alter its function, which could eventually benefit the chemical and food industries as well as medicine.

"This has been the goal of genetic engineers from the beginning," said Professor Robert Fleisner, chairman of biochemistry and biophysics. He said the feat represented "one of the first steps in custom-designing enzymes to do highly specific tasks with high efficiency."

Last year, several scientists altered enzymes to change their efficiency but did not alter the function. To redesign enzymes, scientists must be able to do both, the researchers said in a report for the journal Science.

Lobsters Key in Mood-Swing Research

BIDDEFORD, Maine (UPI) — Lobsters, known for their aggressive and cannibalistic ways, may hold the key to controlling mood swings of manic-depressive humans, according to a physiologist and a pharmacologist at the University of New England College of Osteopathic Medicine.

Research on the neuro-hormone serotonin may also have a significant effect on the commercial lobster industry, they said. Serotonin is found in almost all animals, the physiologist, Dr. Carl P. Spirito, said in discussing a paper he and Dr. John T. Earnhardt presented to the American Osteopathic Association.

Serotonin circulates in the lobster's bloodstream, while in humans it is isolated in the brain, Dr. Spirito said. When serotonin is injected into lobsters it appears to cause a "postural change that has been associated with aggressive behavior," Dr. Earnhardt explained in the joint paper.

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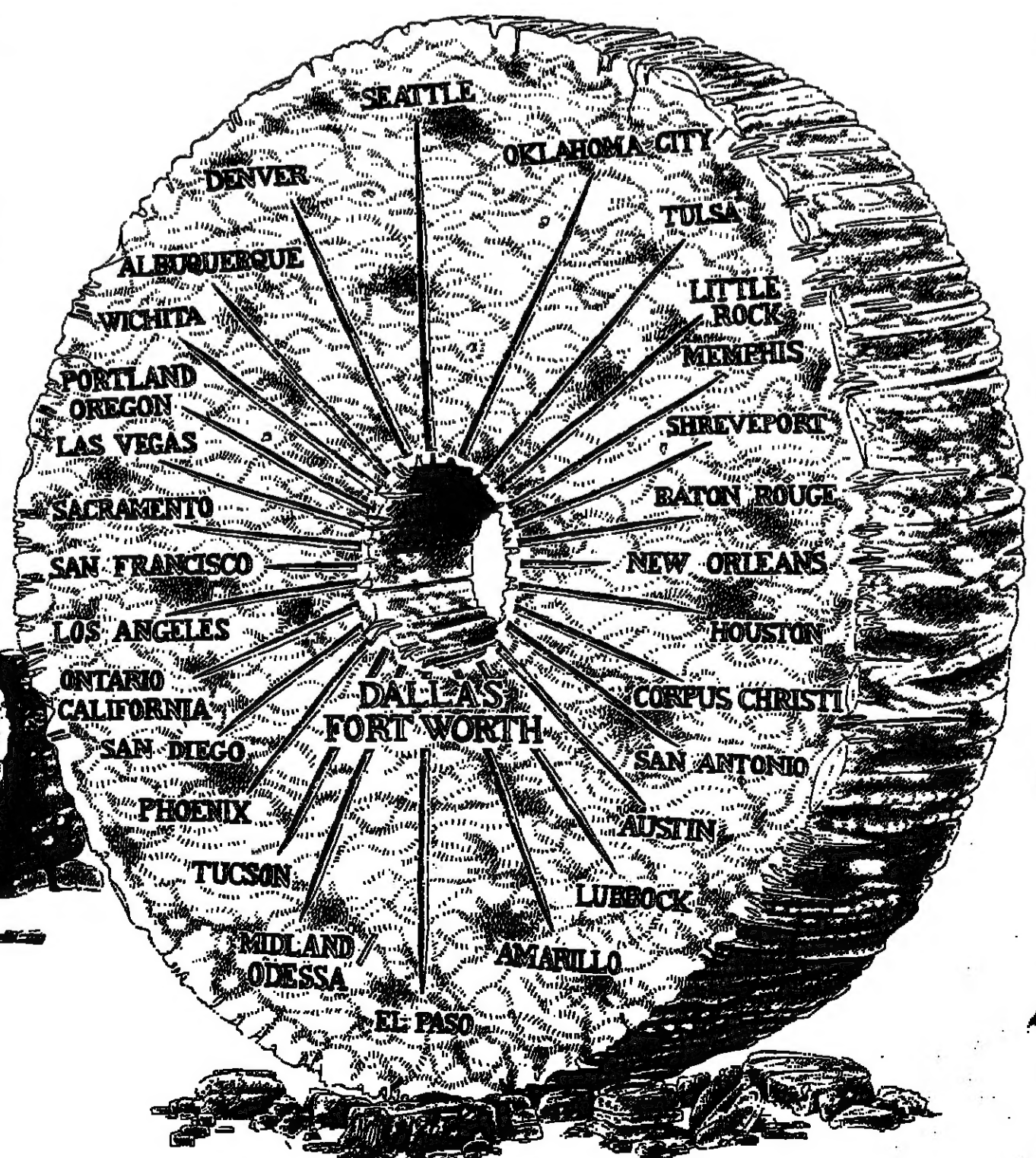
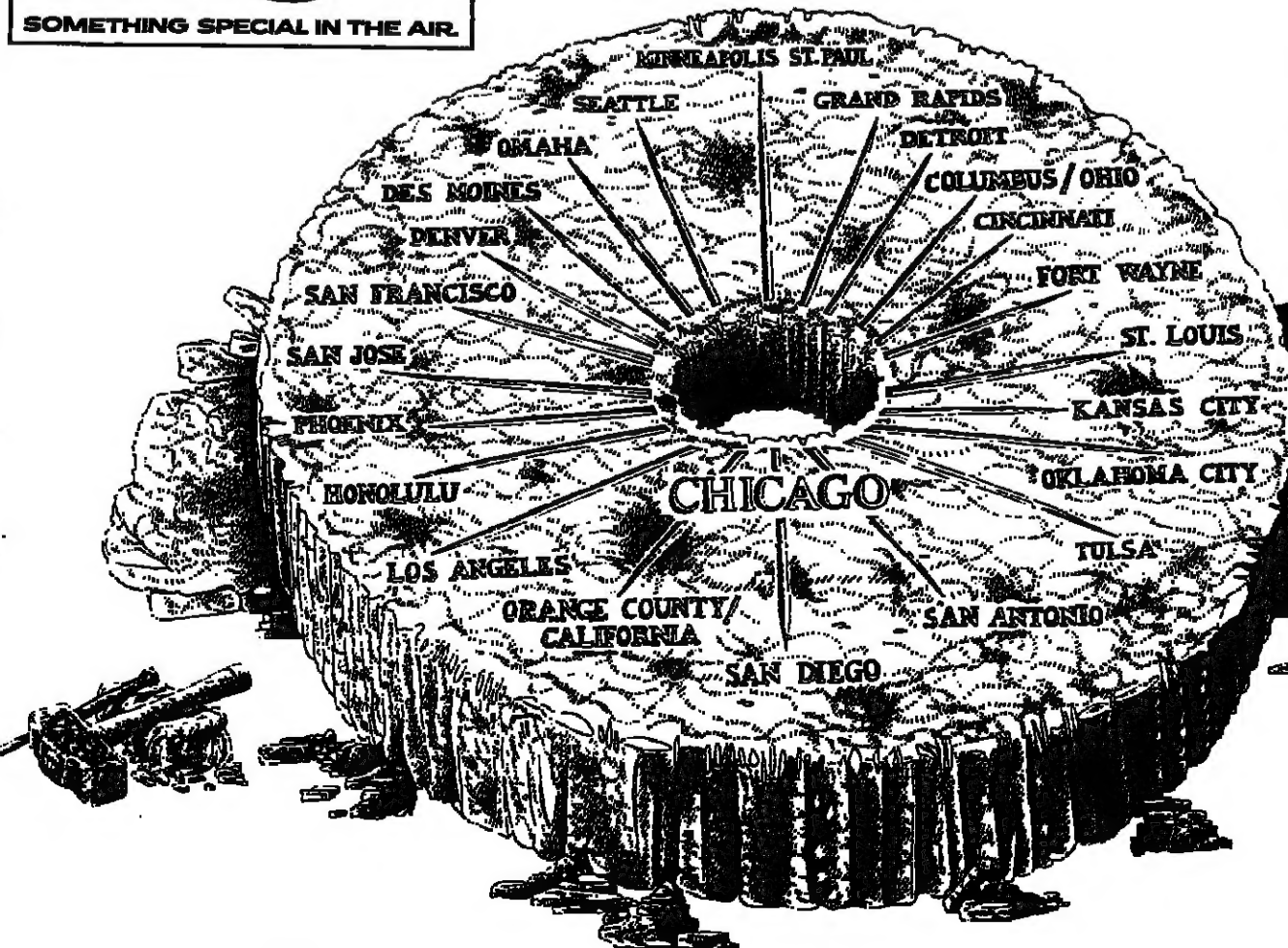
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SOMETHING SPECIAL IN THE AIR.



KUWAIT

A SPECIAL ECONOMIC REPORT

THURSDAY, APRIL 18, 1985

Page 9

Elections Signal Process of Change Beneath Surface

By Olfat Tohamy

KUWAIT — Kuwait's recent parliamentary elections have shown that active interaction between various political groups is taking place below the crust of Kuwait's rigidly conservative tribal society. These groups are more articulate and down-to-earth than their predecessors, and they seem more determined to bring up sensitive issues with serious implications for the country's future.

Kuwaitis say that their country is the only Gulf state with a parliament and elected representatives. But they differ on the extent to which they would like to see the present political groups develop into Western-style political parties.

Such tendencies exist among influential members of the country's established business community, as well as among the well-educated middle class. But the country's emir, Sheikh Jaber al-Ahmad al-Sabah, made it clear in a speech he delivered at the opening of the new National Assembly that the leadership continues to oppose the licensing of political parties.

The elections held on Feb. 20 after two months of intense campaigning led to the formation of a 50-member body, split between conservatives who support the status quo and advocates of change.

The conservatives are mostly elderly. Many are incumbents who represent their clans. They ran unopposed. The advocates of change are divided among several groups, making agreement to stand as a block in parliament remote.

In the absence of political parties, local analysts differ on classifying the opposition. One Kuwaiti newspaper, the daily *al-Sayassah*, said that 11 members belonged to the Arab Nationalists, led by Ahmed al-Khatib, and 14 have fundamentalist religious leanings.

The 14-member group, the paper said, is composed of 10 active members and supporters, three Puritans and one representative belonging to the Shiite minority. Observers say that trouble for the government could be expected mostly from those openly belonging to the Muslim Brotherhood, the Puritans and the Shiite Cultural Society.

Most analysts agreed that the fundamentalist trend had lost much of its appeal. Some of its most prominent proponents did not retain their seats in the new parliament.

But the Arab Nationalists regained strength. Their leader, Ahmed al-Khatib, who lost his seat in 1981 elections to a Muslim fanatic, was returned to parliament.

The consensus is that Mr. al-Khatib will be the government's main critic. Although he is portrayed by the local press and colleagues in parliament as a radical, Mr. al-Khatib, who helped to draft the country's constitution in 1962, stands firmly against constitutional amendments proposed in the previous parliament. He strongly supports the Emir's power to prevail over the executive and legislative bodies.

Mr. al-Khatib can, however, be expected to pursue issues that he raised during the election campaign, including alleged corruption in the government and widening the base of political participation.

Although the aftermath of the Souk al-Manakh crash was a major campaign issue, others such as increasing the annual ceiling on nationalizations, from \$0 to \$50, and whether to allow women to vote, indicate that serious debates with far-reaching consequences for Kuwait's future are certain to take place.

Although the constitution includes a statement on universal suffrage, only male Kuwaitis over the age of 21, who can trace their lineage before 1920 to Kuwaiti grandparents, are allowed to vote. This limited the number of voters in the last elections to about 50,000, out of a total Kuwaiti population of 600,000. It excluded about 1 million expatriates, one-fifth of whom are second generation Palestinians born in Kuwait.

The question of amending the constitution to bring it more into line with Sharia, or Islamic theology, is also expected to come up. This has been the yardstick against which the fundamentalists and sympathizers measured all issues in the previous parliament. The constitution currently states that Islam is the religion of the state and that Sharia is a main source of legislation.

The previous government's management of the Souk al-Manakh crisis was the primary issue for most candidates. In a stormy session held by the new parliament, Mr. al-Khatib openly questioned the former government's economic policies, describing decisions taken by it as "stupid."

Recommendations to reactivate the economy to contain spillovers from the al-Manakh problem and prevent a creeping recession from swelling were passed in the previous parliament. But the issue of whether they remain binding for the new parliament and government has not been resolved.

In addition, the opposition confronted the government on Manakh issues, including the number of insolvent companies, the cost to the government of sustaining a fund to bail out the smaller bankruptcies and the total amount of money it had lost by buying shares of Gulf companies registered on the dissolved stock exchange.

At the inaugural session of the National Assembly, the crown prince and prime minister, Sheikh Saad al-Abdulla al-Sabah, delivered a speech in which he affirmed the need for a comprehensive development plan covering all aspects of the economy. He said that this should be implemented with a specific timetable and would give priority to boosting production.

He said that special attention would be paid to problems affecting youth and housing and he underlined the government's continued commitment to providing free services, including health and education.



Detail of the roof of Kuwait's new parliament, above, reflects desert tents. Below, eligible male Kuwaiti citizens gather in a tent for an electoral meeting during the two-month campaign for National Assembly elections, which were held on Feb. 20.



Eligible male Kuwaiti citizens gathered in a tent for an electoral meeting during the two-month campaign for National Assembly elections, which were held on Feb. 20.

A New Economic Program Seeks to Rebuild Confidence

By Alan Mackie

KUWAIT — The next few weeks are going to be of unusual importance to Kuwait as the new government unveils its economic program and the public waits to see whether it can restore the confidence lost after the Souk al-Manakh stock market crash.

A sense of uncertainty was fueled by the February elections, with the Souk al-Manakh crisis entering a new phase as the pressure shifted from stock and real-estate markets onto the country's financial institutions.

It was felt that Jassim al-Kharafi, the new finance and economy minister, has been left little time to find his feet, although familiar with the problems from his time as chairman of the National Assembly's finance committee. And there were fears that the new assembly would inhibit government action.

These doubts have to some extent been allayed by the government's promise, given on the first day of the new National Assembly session March 19, to publish its program within a month. The general view is that the government must act now.

But the Iran-Iraq war is a far more serious threat to confidence and Kuwait's physical safety, while the oil glut, coming on top of the winding down of the development boom, poses a potentially greater threat in terms of economic dislocation.

The economy's underlying financial strength can be illustrated by the fact that even last spring, when the budget for the current financial year was being made up and the pressure on liquidity — from demands to refinance the economy to revive business confidence and the downward slide in oil revenues — was greatest, Kuwait continued to accumulate reserves.

The budget deficit of 704 million dinars (\$2.32 billion) for 1984-1985 appears to belie this fact. But the budget provides for the 10 percent of published revenues that must be put aside each year into the Fund for Future Generations without including investment income, which even though 20 percent lower, at 1,288 billion dinars, comfortably covers the deficit.

Oil revenues have not disappointed. These were budgeted to rise 4.5 percent, to 2,913 billion dinars, in 1984-85, since the government had anticipated a sharper price fall. Production, now running at just over the 900,000-barrel-a-day OPEC quota, is consequently sufficient to generate the \$9 billion needed from oil to cover spending.

Kuwait is the only Gulf state to have substantially reduced its dependence on oil by continuing to expand its investments overseas. Investment income from abroad now accounts for around 30 percent of total government revenues, and this percentage will rise as Kuwait continues to accumulate reserves.

Barring a collapse in oil prices, Kuwait seems set on a course of steady expansion of 3 to 5 percent a year. In the longer term, Kuwait's position looks even more secure. At the current rate of extraction, oil reserves are sufficient for 180 years and perhaps half as much again if new finds are proven.

The one problem is the 20-percent drop in investment income caused by the need to liquidate high-performing assets to meet un-

budgeted outlays in the Souk al-Manakh crash.

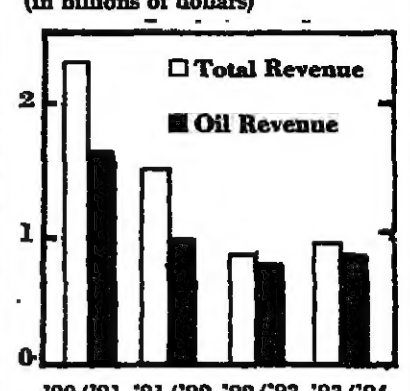
The government is committed to solving the problem once and for all. The dilemma it faces, however, is sending the right signals to the market. It is in its interests to squeeze outstanding debtors into settling — indeed, the new National Assembly is determined that it should — but by holding off, its ability to control events is sharply reduced.

The present crisis has developed in this vacuum. The cumulative effect of a 48-percent drop in official stock prices over the year and a 30-percent to 40-percent fall in real estate values has taken the toll of balance sheets.

The Central Bank's decision to allow companies to extend their fiscal year to June, so giving them more time to regularize their situations, is thought to be merely put-

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An Oil-Based Budget (in billions of dollars)



Source: Kuwait Petroleum Corp., Arab Oil and Gas Monthly. Labels: Gulf-Mount/HIT

Ample Liquidity Backs Up National Financial Institutions

By Kevin Muehring

KUWAIT — In 1984, the ever-widening repercussions of the Souk al-Manakh crash of more than two years ago finally rippled through the Kuwaiti financial sector.

It is difficult not to use dramatic terms in describing the events of the last year, although to do so understandably draws the ire of the bankers, who recognize that confidence is ultimately their main asset. Nevertheless, the Kuwaiti financial institutions have undergone what is their most difficult crisis in at least a decade: A serious outflow of capital in the spring brought turmoil and tensions as the Central Bank sought to stem the flight of uneasy money. Added to this was the higher costs of funds and a lower interest-income stream that cut into operating revenues.

And even worse, the free-fall in share and real-estate prices since last April shrank the value of collateral held against domestic loans, much of which in turn deteriorated into the doubtful category. The year ended with a tough Central Bank posture — substantially higher provisions, a decline in assets and sharply lower published profits and dividends.

With the turn of the year came the illiquidity problems of two smaller financial institutions whose main creditors were the domestic banks. Foreign banks began to make discreet phone calls or sudden visits to pose this or that sensitive question.

Due to overstated the damage done or to understate the resources at hand would be misleading. The banks still have ample liquidity, as evidenced by the net liability position with the Central Bank, which was reduced by 75 percent to 153 million dinars (\$505 million) in December from mid-year — as well as a considerable cushion of capital to work with. Above all, if push comes to shove, there is the certainty of government support.

Furthermore, analysts say distinctions should be made between the different "tiers" of financial institutions.

The first tier comprises the big commercial banks and the specialized and investment banks, which have unconditional and guaranteed status with government support in time of need that is less clear. Hence, the very close attention paid to how the government handled the failures earlier this year of the money-changer operation.

The banks still have a considerable cushion of capital to work with . . . Above all, if push comes to shove, there is the certainty of government support.

government support through access to the Central Bank's discount window, swap and loan facilities. Their credit standing is, in a sense, as good as the state itself, because at least for the first-tier firms in a state-supervised capitalist economy like Kuwait's, the line demarcating sovereign and private risk is a blurred one.

It is the second tier of financial institutions, the investment companies and money changers, whose

visitors over to begin an investigation but it also rapidly mounted a bail-out to the extent of \$25 million. In the case of the Kuwait Financial Center, it elected to suspend trading of the firm's shares on the stock exchange, send another supervisor to look at the books and play middleman to the negotiations with the creditors that followed.

The distinction was in the nature of the credit, according to the Central Bank, whether it was a foreign-exchange or a money-market risk. In the case of the latter, the Central Bank was less inclined to intervene since assessing such risk is the responsibility of the individual creditor; but the former is based on trust, and failure to deliver could reflect on the reputation of the state, and so the Central Bank responded quickly with its lines of credit.

"We look at the total effect on the position of the overall financial system, not the individual institution," a Central Bank source explained in a recent interview. "We could not ignore the fact that he

Jawad and Haidar Abulhasan and Co., and the investment company, Kuwait Financial Center, and how the government responded.

According to a Central Bank source, government intervention was only to be considered on a case-by-case basis, depending on what it perceived the potential damage to the financial system to be.

In the first instance, the Central Bank not only sent one of its super-

(Mr. Abulhasan) was a part of the financial system — a sizable part — and since our role is to nurture and to protect the system, it was only natural we should try to neutralize any negative impact in a way that was realistic and practical for the Central Bank to follow."

By mid-April, negotiations to reschedule the debts of both institutions were still ongoing. But it would appear most likely that the foreign-exchange and some money-market debts will be settled, by the government if necessary. But probable rescheduling into either five- or seven-year loans of the debts owed to domestic banks, with generous grace periods and perhaps a cap on interest at no more than 5 percent is likely, sources close to the negotiations say.

At one point, the domestic banks were going to accept a 100-percent settlement of their loans to the Abulhasan company — converted into equity of a new leaner firm relegated actively to money-chang-

(Continued on Next Page)

Private Sector Undergoing A Profound Reappraisal

KUWAIT — The Kuwaiti private sector is going through the most profound reappraisal and readjustment in its short history, and the results will have a significant bearing on the state's development in the years to come.

Like many of its Gulf neighbors, which have relied on oil to finance their rapid development, Kuwait has faced the anomaly of running a huge state sector while being committed to private enterprise. This was always thought to be an unavoidable consequence of the country's need for a physical and institutional infrastructure that only the state could provide. Once this infrastructure was in place, it was argued, the private sector would assume its rightful place as the focus of economic life.

It has not worked out like that. In the 1970s, the government had a major problem in disbursing oil wealth to ordinary citizens efficiently and effectively. Promoting the private, whether in the form of a taxi driver, a merchant in the souk or a chicken farmer, was considered a good way to spread the wealth and at the same time encourage private enterprise. However, it was done with little thought for the efficiency or economic relevance of the activity concerned.

The Souk al-Manakh stock exchange boom was symptomatic of this lack of economic relevance or logic and of high profit expectations irrespective of the quality of goods or services produced. The revelations exposed by the market's crash have highlighted the trivial role of much private-sector activity, as well as the glaring deficiencies in its financial structure and management.

Now the private sector is being asked to assume its position at center stage at a time when confidence, hurt by the Iran-Iraq war, the recession and the Souk al-Manakh crash, has never been lower.

The dilemma of reviving confidence is compounded by the fact that there is still no clear

consensus as to how Kuwait should develop in the long term.

Should Kuwait try to develop a diversified economy? Or should it lower its sights and exploit its existing skills, expertise and capital by looking for investment outside? This, in effect, would extend the present policy of taking large stakes in blue-chip Western companies and move its oil industry downstream into European and other outlets, making Kuwait effectively the headquarters of a large multinational holding company.

The minister of oil and industry, Sheikh Ali al-Khalifa al-Sabah, is believed to favor the former option, which would entail a far lower level of expatriate labor. However, there is a great deal of domestic resistance to the idea of Kuwait becoming a rentier society, living off the income from its foreign investments. The merchants, for their part, want as high a level of economic activity generated within Kuwait as possible because it would bring them more business.

The question is what activities are viable in Kuwait. It is in this context that the current review of stock-market companies that are in trouble is taking place. The task of restructuring them has been made easier because the crash has left the government holding an estimated 70 percent of the quoted shares. At some stage, the government will resell these assets to the private sector.

Amalgamations are the most likely option where there is duplication, especially as it offers the opportunity to weed out weak management. Amalgamations have already taken place in the industrial sector. Kuwait Oil Tanker Co. has taken over Kuwait Shipbuilding Co., which now repairs army vehicles, and Kuwait Petroleum Co. has absorbed the troubled Melamine Industries Co.

The Industrial Bank of Kuwait can be expected

(Continued on Page 10)

Oil: The Long-Term Cornerstone of Development

KUWAIT — Oil will remain the cornerstone of Kuwait's future economic development, and the country's top source of income for the foreseeable future, as the government continues to exploit the country's vast oil reserves.

Unlike Saudi Arabia, Kuwait is not embarking on a rapid industrialization drive to diversify its economy. With reserves to last more than 180 years at the present rate of production, and with its oil minister, Sheikh Ali Khalifa al-Sabah, pursuing a worldwide campaign to expand his country's investments in the field, Kuwait seems to be banking on an upswing in demand for oil in the world energy market.

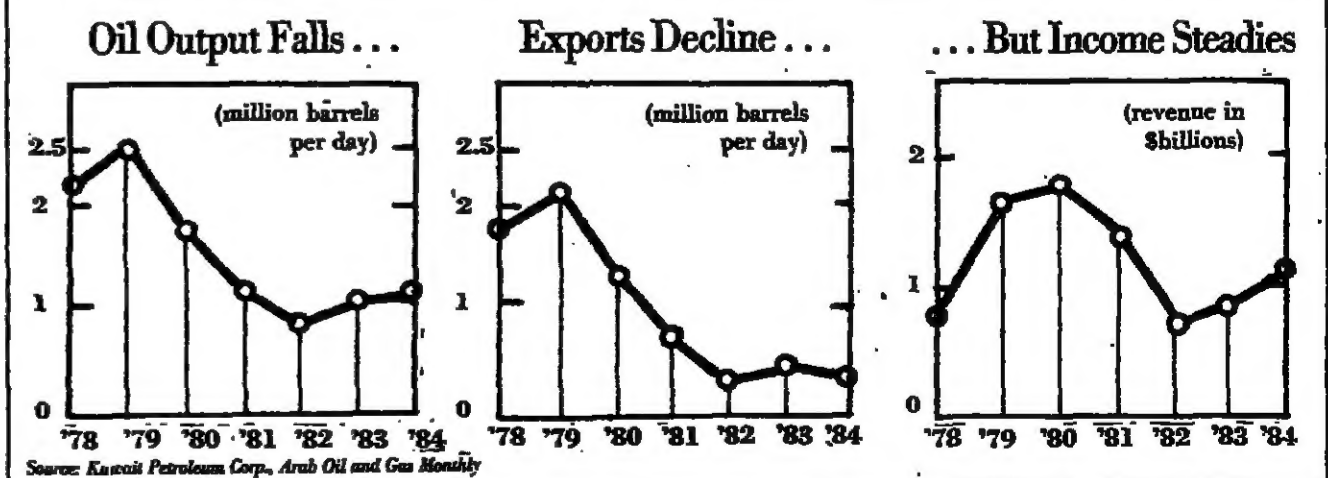
Kuwait's oil sector provided more than 90 percent of budgeted revenues — this does not include income from investments overseas — during the 1983-84 fiscal year, and the ratio remains unchanged during the current year, according to the Central Bank of Kuwait. Representing a little more than half of gross domestic product, the relative weight of the oil sector in the economy has expanded during the same period with an increase in crude output. An increase in exports of oil and refined products helped make up for the drop in world market prices.

The oil sector helped offset a fall in the second-largest source of public revenue as earnings from foreign investments dropped by 15 percent. The surge in oil and product sales, accompanied by a sharp decrease in imports, also contributed to a balance-of-trade surplus of 1.2 billion dinars (\$4.1 billion).

The closing financial year's positive results were achieved when Kuwait's output remained around 1,054 million and 1.1 million barrels a day during the second half of 1983 and the first half of 1984 respectively.

The increase, which continued through the fourth quarter of last year, allowed for a boost of local refineries' output, averaging 540,000 barrels a day, with European refining facilities processing an additional 100,000 barrels daily.

The ratio of products to crude rose marginally during last year. But since the reduction of output, due to an overall lowering of the Organization of Petroleum Exporting Countries' production ceiling at the end of last October to match the



Source: Kuwait Petroleum Corp., Arab Oil and Gas Monthly. Labels: Gulf-Mount/HIT

new quota of 900,000 barrels a day, the relative share of products climbed to two-thirds of total oil production, and the trend has continued through the first quarter of this year. The slashing of more than one-sixth of production — bringing the figure for total output closer to Kuwait's record low figure of 820,000 barrels a day in 1982 — will cast its shadow on governmental efforts to relieve the pressures slowing down the economy's growth rate.

Having adopted an aggressive marketing campaign and having benefited from the market's firming during last winter, Kuwait has managed to substantially reduce its spot sales. Spot sales amounted to half its total sales during the last

quarter of 1983. It also has succeeded in regaining most of its term-contract customers. And, independent oil industry sources confirmed that its recent spot sales were made at OPEC's approved price of \$27.30 per barrel. In spite of OPEC's production cuts last fall, which weighed more heavily on Kuwait than on other members, Kuwait has benefited from another recent cartel decision — the reduction of price differentials between light and heavy crudes to meet market demand.

This has relieved some of the marketing burden on Kuwait's oil specialists, who are widely acknowledged not to have tried to get around OPEC's rigid and outdated pricing system by offering dis-

counts through barter deals or by providing easier terms of payment over longer periods of time.

However, the fact that product sales, which are not covered by OPEC's pricing system, currently account for almost two-thirds of Kuwait's output and that Kuwait is distributing about 200,000 barrels through its outlets in Europe, mean that the cartel's restrictions hardly affect Kuwait.

Kuwait is a leading OPEC member and one that determines the outcome of the organization's usually stormy sessions, although the country ranks ninth in terms of production among the cartel's 13 members.

— OLFAT TOHAMY

A SPECIAL REPORT ON KUWAIT

For Private Sector, Reappraisal and Readjustment

(Continued From Previous Page)

to play an important role in re-vamping the industrial sector; already it has plans to revive the insolvent Sanitary Industries.

As for the financial sector, the new minister of finance and economy, Jassim al-Kharafi, intends to support the banks and let them sort out the sector's problems. Nevertheless, there is speculation that the three government-controlled investment companies will be merged. They are Kuwait Investment Co., which added a loss of 27 million dinars in 1984 to the 20-million loss recorded in 1983, Kuwait Foreign Trading, Contracting and Investment Co., and the Kuwait Real Estate Investment Consortium.

For the commerce and construction sectors, the authorities appear to be supporting calls for greater protection, although they are treading gingerly. The new policy of giving local construction companies preference in projects has begun to bite in the last two months, and if a bill currently before the National Assembly is passed, Kuwait will have taken a major step toward protectionism. There have also been calls to increase the tariff protection for nascent industries.

The key question as to the future of the reborn private sector is its attitude to risk and profit following the Souk al-Manakh crash. If the idea persists that the government will be there at the end of the day to bail out speculators, then little will have changed. Expectations of profit have come down dramatically since the crash, but have these expectations come down to a sufficiently realistic level to make the building of a solid professional career a viable proposition for a young Kuwaiti?

The average Kuwaiti graduate with an engineering degree has all the trappings of affluence, including a Porsche and foreign holidays. But he lives at home because on his \$2,400-a-month salary he could never amass sufficient capital to buy even a modest centrally located villa of his own, which even in these depressed times go for \$1 million or more. The Souk al-Manakh was the vehicle with which he acquired capital and, thus, independence. As things now stand, what future is there for him continuing with an engineering career

and never making it on his own without family help?

However, the crash has produced some salutary changes. The Kuwait Chamber of Commerce and Industry report on the recession of February last year gently criticized the part-time nature of much of Kuwaiti management.

The dilettante approach to business is underscored by the practice of top Kuwaiti businessmen of having three offices and as many jobs. In private-sector business, and especially in banking boardrooms, meddling was becoming a major source of friction with professional managers. Management cuts have hit mainly at expatriate experts, sometimes to the detriment of the companies concerned, but dead-wood Kuwaiti management is also being asked to leave.

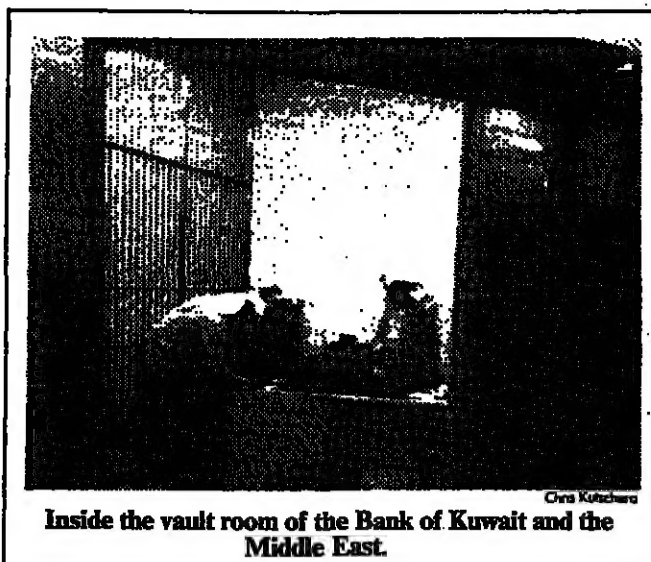
Another important development has been the decline, especially after the February elections, of the old merchant families' political clout. This is opening up the power base of the private sector. But insofar as the Souk al-Manakh boom was an attempt by new money to break the hold of the old, little has changed. The Kharafis, the Hamads and the al-Ghanams are still sitting on the same real estate. Their assets may be illiquid, but these families are diversified with solid foreign investments and have the staying power to outlast the "new money" that is feeling the squeeze most.

Mr. Kharafi, himself a scion of the Kharafi construction empire, is a strong advocate of the private sector. He envisages an enlarged role for it and is already thinking of privatizing a number of government services. He can be expected to be sympathetic to moves to stimulate confidence and activity. But, he cautions, "we will be looking for a return on what we spend."

Assessing the success of his measures means waiting for a stock-market recovery, which could be two years away. He faces some major obstacles in making the private sector relevant and competitive.

But the top end of the construction industry has shown it can compete and private investors are again coming forward for industrial ventures. The private sector may be down, but it is not out.

—ALAN MACKIE



Inside the vault room of the Bank of Kuwait and the Middle East.

A Food Supplier Shows An Alternative to Oil

KUWAIT — Kuwaitis have acquired large appetites over the years of prosperity. A company that works to make the most of this appetite is Americana, brand name for Kuwait Food Co., which is to be found on supermarket shelves throughout the Arab world.

The name comes from the New York hotel where the company's founders stayed while assembling technical know-how and management expertise before setting up the business in 1963.

The company is linked to the established mercantile community of Kuwait and shows its traditional acumen. The chairman is Nasser Mohammed al-Kharafi.

Food-processing is Americana's domain. Gulf governments often talk about this as a promising area of diversification from oil, but the problem—as with most industrialization in the Gulf—is largely one of markets. Talk about the region seldom looks beyond the Gulf and a potential market of around 11 million.

Americana has spread its net wider, in particular to Egypt, the largest market of all in the region. Many of its management team are Egyptians and one of Americana's three meat-processing plants is there (the others are in Kuwait itself and in Saudi Arabia). It also has poultry and associated chicken-feed plants in North Yemen and Egypt.

Meat-processing was Americana's first venture. It expanded from there into fast-food chains, picking up the franchises for Wimpy, Kentucky Fried Chicken, Pizza Hut and Sizzler Family Steak

House and Hardee's. It also started up its own Chicken Tikka chain, partly to cater to the Gulf's large Asian population. Americana now owns and operates 120 restaurants throughout the Middle East.

Americana next went into providing buns to the restaurants from its bakery in Kuwait, and from there to the takeover of a Lebanese confectioner, Samadi, and the making of Arab candies.

In 1983, Americana International linked up with the American supermarket chain Safeway and in June this year is opening a huge supermarket on the edge of Kuwait City, in the Dejez shopping area.

Most Kuwaitis buy their staple foods at cooperative stores. These are set up in each neighborhood by a locally elected council and are restricted in their profit margin to around 10 percent. The Dejez shopping area is outside residential Kuwait, which explains why Americana can open its supermarket. The company will be selling its own branded goods—meat, including sausages, salami, frankfurters and hamburger—as well as such items as frozen vegetables and dairy products, which it imports in bulk and packages in Kuwait.

A lot of this food now comes from Turkey, which is advertising itself as the potential supermarket of the Middle East, capitalizing on the Ottoman heritage that is such a dominant flavor in Middle Eastern food. And it is highly regarded by Americana as a source of fresh ingredients that can be trucked to Kuwait swiftly and cheaply.

—SARAH SEARIGHT

Cheap Imports, Gulf War Cut Industrial Development Plans

By Sarah Searight

KUWAIT — Nonoil industry in Kuwait is down in the dumps these days. It is suffering from imports of cheap mass-produced consumer goods, while the Gulf war has eliminated its large Iraqi market. Moreover, the Souk al-Manakh stock market crash has left the traditionally parsimonious Kuwaitis even more reluctant to invest in the uncertainties of the long-term future, which industrial development looks at.

Often not enough value is added to bulk imports (dairy products, paints and beverages, for instance) to justify the ventures. Markets are limited; the Gulf region population, excluding Iraq and Iran, is about 11 million. And not enough attention has been paid to developing good management.

Industry's contribution to gross domestic product has stayed at just over 7 percent for the last three years despite efforts to improve the level; 10 years ago, before the development of downstream oil industries, it stood at nearly 11 percent.

Diversification from oil was a great ambition in the 1970s. Government incentives for petrodollar investments included cheap bank loans, inexpensive land and utilities, mostly in the industrial areas of Shuwaikh and Shuaiba, and some duty protection from competitors.

In these less affluent days, Kuwait is reassessing its priorities. Most significantly, the old Ministry of Industry and Commerce has been split in the recent government reshuffle, with industry joining Oil under Sheikh Ali al-Khalifa and Commerce joining Finance.

Kuwaiti industry is going through a salutary shake-up in which the fittest will survive. Several companies have foundered in the aftermath of the Souk al-Manakh

crash because they made their profits out of share dealings rather than manufacturing.

Some of the weaker companies are being nursed along for the moment by Kuwait's Industrial Bank, among them Gulf Paper, which, with a change of management by the bank, doubled its output last year.

The Industrial Bank was set up in 1973 as a joint undertaking by the Ministry of Finance, the Cen-

sector at the moment is chemicals, fertilizers and chemical products.

Kuwait Oxygen falls into this sector, a remarkably successful company that relies on raw materials locally available in unlimited quantities—air.

It is one of the oldest industries in the country, manufacturing industrial and medical gases. It was initially encouraged by Kuwait Oil Co., which needed the gas for drilling. It exports all over the Middle

Industry's contribution to gross domestic product has stayed at just over 7 percent for the last three years despite efforts to improve the level.

East, although its big market, Iraq, is nearly shut down. Its management is efficient and it is determined to keep up with technological developments.

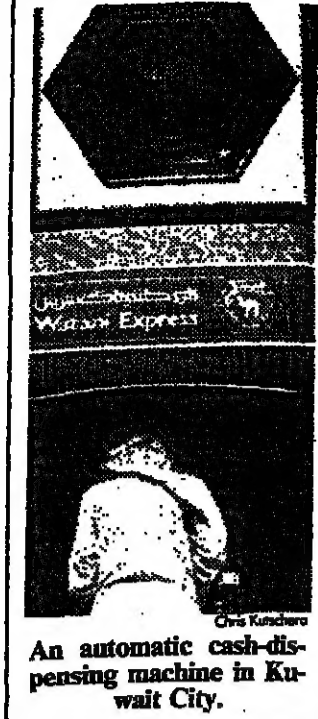
Protection remains a lively issue. The Kuwait Chamber of Commerce and Industry estimates that it costs a new industry 20 to 40 percent more to set up in Kuwait than in industrialized countries, mainly because of the costs of manpower and raw materials relative to the market. The chamber advocates immediate protection at the start-up of production, a tariff shield of as much as 30 percent for the first five years and the establishment of an export promotion fund along the lines of the U.S. Export-Import Bank, to be administered by the Industrial Bank, which also favors initial protection.

The "economic reactivation" committee set up last autumn, which reported to the government in February, also suggested a fund, backed by the commercial banks, to encourage private investment in small commercial ventures. The proposal was partly socially motivated, to get Kuwaitis them-

selves, especially the young, involved in the economy. It was suggested that Kuwaitis could apply for licenses and loans for their ventures provided they could show they were employed in them full-time.

One way of getting around the many obstacles to local industrialization is to go overseas, following the example of Kuwait Petroleum Corp.'s global ramifications. There is much talk in the Gulf about technology transfers, and in the oil industry this has worked to a limited extent. In other economic sectors, however, it is less realistic; there are still not enough Kuwaitis ready for it.

The Industrial Bank is pioneering the overseas investment in venture-capital projects—in the United States, Southeast Asia and Japan. The idea is to invest in high technology, ventures that tend to be high risk, highly rewarding and, above all, educative. At least it is an alternative to real estate and securities.



An automatic cash-dispensing machine in Kuwait City.

Economy: An Effort To Rebuild Confidence

(Continued From Previous Page)

ting off the civil day. The fear, as one local observer put it, is that "one of the bigger institutions should get into trouble and that it would end up at the banks' doors."

Mr. Kharafi has stressed the government's determination to stand behind the banks and provide them with the means to solve the market's financial problems.

Market sources believe the banks could be under some threat, given the downside potential that still exists on shares and the extreme difficulty in liquidating property. Estimates vary as to the percentage of bad and doubtful debts held by the banks, but one reliable source thinks they could be as much as 1.6 billion dinars of the banks' 4.8 billion dinars of outstanding loans. The banks' published reserves and equity would only cover half that amount, and the source estimates that their hidden reserves are only 400 million dinars.

The head of the Central Bank's banking supervision department, Sheikh Salem al-Sabah, says that his officers, in going through the banks' accounts, have allowed for all eventualities. "We know the provisions, specific and general," he said. "I'm not worried... I am completely sure the situation will resolve itself."

The Central Bank is acknowledged to have done an excellent job in going through the banks' accounts. The fear, much reduced since the government statement, has been that a crisis could over-

whelm the Central Bank's most conservative accounting and the government's best-laid plans.

Those plans are well developed. They call for the creation of a mortgage company that would buy the doubtful debts at around 80 percent of their face value with a 1-billion-dinar government cash injection. Proceeds from the sale of these assets would make up the balance. The government also plans to liquidate the 1-billion-dinar aggregate debt of the 30,000 to 40,000 small shareholders locked into worthless closed-company shares.

The Press: An Independent Outlook

KUWAIT — The mercantile traditions of Kuwait have assured an interest in the outside world among Kuwaitis that is not always to be found in other more inward-looking societies of the Arab world. It also encouraged an independence of outlook reinforced today in the large numbers of daily, weekly and monthly publications.

Ask a Kuwaiti which daily newspaper he reads and invariably the answer is, "Why, all of them." There is a certain amount of censorship in the Kuwaiti press—the ruling family and leaders of neighboring or friendly states may not be criticized. Nor is Islam open to discussion. But a draft press law that went before the old National Assembly to clarify these areas and possibly extend them is unlikely to be revived. The press is more forthright in its opinions than in many parts of the Third World and it encourages a political dynamism that is reflected in the new National Assembly.

There are five daily Arabic newspapers. The leader is Al-Watan (The Homeland), which first began publishing in 1961, the year of independence. It belongs to Al-Jana'at, a tribal grouping of old merchant families. One of its members, Mohammed Musaad al-Saleh, a lawyer, is the chairman, and another, Jasim al-Mutawa, is the editor in chief. It is by far the most sophisticated of the dailies, both in terms of its abrasive opinions (critical, for instance, of the government's handling of the economy) and its actual printing—no expense spared to bring in the latest technology. Al-Watan includes occasional financial surveys

of other countries and it also publishes a weekly Computer World.

Al-Qabas (The Beacon) is owned by the Al-Sagor family. The editor in chief is Mohammed al-Sagor, and the paper generally projects the views of the business community.

Al-Seyassa (Politics) has a reputation for being more moderate than some of its competitors. It is sometimes described as a mouthpiece for the Saudis and was the only Kuwaiti newspaper to support the Camp David talks and the present peace moves of President Hosni Mubarak of Egypt and King Hussein of Jordan. It is, therefore, popular with the 200,000 Egyptian residents of Kuwait.

The oldest daily in Kuwait is Al-Rai al-A'm (Public Opinion), often projecting a harsher, anti-American and pro-Syrian line than the other publications.

Al-Anbaa (The News) is owned by the Marzook family and is edited by Faisal Yousef al-Marzook. Al-Arabi (The Arab), a cultural monthly, stands out among the periodicals, with a circulation of about 350,000 copies. It was founded in 1958, on the crest of the Nasserist wave, when a strong undercurrent of Arab nationalism was beginning to make itself felt.

The first editor was an Egyptian intellectual, Ahmad Zaki, who established the format of the magazine. Its present editor is Mohammed al-Rumaili, a former sociology professor at Kuwait University, known for his radical views on the role of the Arab world in the 20th century.

—SARAH SEARIGHT

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A SPECIAL REPORT ON KUWAIT

Is Building Sector Over the Worst Yet?

KUWAIT — There are two schools of thought as to the health and prospects of Kuwait's construction industry.

There are those who think that it has weathered the slump and that conditions will steadily improve as large government contracts prepared during the past few months come up for tendering and begin to percolate work again through the system. And there are those who believe that the industry, far from being over the worst, has yet to face the final phases of the Souk al-Manakh crash and specifically, those companies that placed their advanced payments and spare cash on the unofficial exchange and are only now staving off bankruptcy by delaying debt settlement.

Revival has been slower than many had hoped because the authorities have been painstaking in reviewing their strategy. Many contracts went back to be rethought and tendered. Among these was one of Kuwait's major prestige projects, the \$400-million Mirqab Transportation Center, which has been redesigned at almost half its original cost. Similarly, the Waterfront Project, a grandiose development in five phases that will transform Kuwait's seafloor, has been drastically rescheduled, with the middle phases three and four being shelved.

But many of these revised projects, and others besides, products of the 25-percent increase in project spending sanctioned in the 1984-1985 budget, are coming up to tender. The 76-million-dinar (\$25-million) Conference Center, which will house the 1987 summit of the Islamic Conference, is now under way, with bids being invited for various aspects of the work.

There are also some other big contracts recently awarded or in the pipeline: for hospitals, 150 million dinars worth of roads and infrastructure, a 41-million-dinar communications center, the Al-Zour desalination plant and an ancillary 50-million-dinar water distribution and pumping facility. There is also a 122-million-dinar project to build a road-rail bridge linking Doha and Shuwaik port across Sulaihiyah Bay, which will form the first leg of a rail link with Iraq and later with Dammam in Saudi Arabia. In addition, the National Housing Authority has 4,000 units under construction and is preparing the infrastructure for 1,500 lots.

It is also about to sign contracts for 1,200 more housing units and is

preparing tenders, in addition, for 13,000 homes.

For the first time, a local company, the Kharaf group, has prequalified alone in an international tender for the water-distribution and pipe-laying contracts for the Al-Zour desalination plant.

The Iran-Iraq war has added to the pressures of competition. Hyundai Engineering and Construction Co., a South Korean group, for instance, cut its heavy losses in Iraq and moved all its equipment down to Kuwait. The result has been some very low tenders. The airport runway was let for 60 percent of budget, while Al-Madiyah Trading & Contracting Co., a local firm, bid a similar price below budget for the civil works for the Conference Center.

According to Fuad Mulla Hussein, undersecretary at the Ministry of Planning, highway contracts have been let at an average of 30 to 35 percent below budget. Taiwanese construction companies have been edging out the South Koreans in this very competitive market.

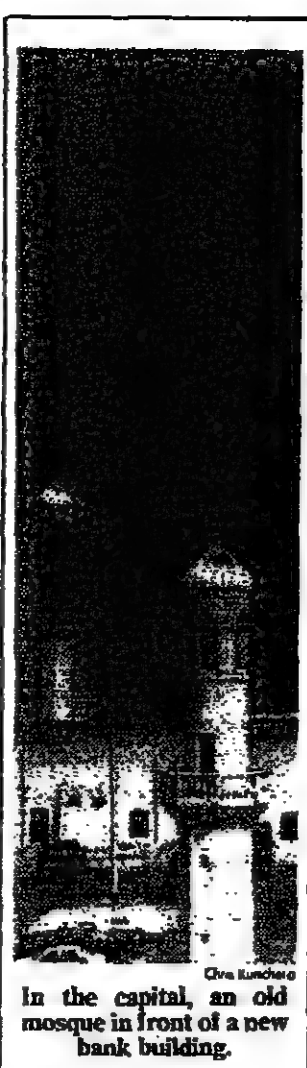
As the calls for greater protection grow, the foreign companies are going to find the going harder. A motion is before the National Assembly that will greatly increase the discretion of the Central Tender Committee to allow individual ministries and departments to deal directly with local companies on contracts and to allow at least 30 days between announcing prequalifications and tendering to allow firms time to appeal if they do not prequalify.

The motion also calls for the 10-percent price advantage enjoyed by local companies to be raised to 3 percent and for the introduction of a "30-percent rule," whereby foreign companies would be required to subcontract 30 percent of their contract to local companies and to buy at least 30 percent of their supplies through the local market.

There have also been calls for Kuwaiti funds loans to be tied to Kuwait's supplies and contractors as most other development aid is tied.

The mainstay of the construction industry remains the housing sector and its importance is likely to grow as government development spending is adjusted downward in the financial year beginning July 1 to the average of the last three years. The Housing Authority has plans to raise its spending from 145 million dinars to 180 million dinars in 1985-1986.

In general, demand from the private sector is flat and will remain so



In the capital, an old mosque in front of a new bank building.

until the huge overhang of private and residential property on the market has been absorbed. That could take many years. However, middle-income residential construction continues in Fintas and Jahra, and there is still some demand for specialized residential and commercial properties.

The long-term demand, particularly for housing for a Kuwaiti population growing at 3.6 percent a year, is undisputed, as is the underlying strength of the top end of the construction sector, which increasingly is finding itself able to compete successfully in regional and overseas markets.

But in between, the going could be very rough. No one doubts that an end to the Iran-Iraq war would create a new situation, but it might not be quite the game everyone is expecting. All agree that there would be a huge demand for goods and services that Kuwait's construction industry would be ideally situated to provide. But the question is whether the oil used today for these services would retain its value.

—ALAN MACKIE

Gulf Conflict Leads to a New Strategy of Defense

KUWAIT — With the war between Iraq and Iran showing no signs of subsiding as it enters its fifth year, Kuwaiti foreign policy toward Tehran has shifted its emphasis from conventional diplomacy to a strategy of defense against Iranian threats to its oil installations.

Since the border skirmishes over the disputed marshes between Iraq and Iran erupted into an open war, Kuwait has joined other Gulf states in the region in calling for an end to the fighting, while hoping that it would not spill over the border area nor develop into a superpower confrontation.

Sharing borders with Iraq and located less than 50 kilometers (31 miles) from the fighting, Kuwait remains an obvious target for retribution from Tehran in the Gulf's tanker war. Iran has warned Saudi Arabia, Kuwait and the other members of the Gulf Cooperation Council — Qatar, Bahrain, Oman and the United Arab Emirates — to stop subsidizing Iraq.

Kuwait's contributions to Iraq in direct financial aid are estimated by Western sources to be one-third of the \$30 billion given by the peninsula's oil-producing states since the war started. Although the rate of disbursement seems to have dropped lately, Kuwait and Saudi Arabia continue to provide Iraq with the returns of oil produced by the offshore

field in the neutral zone located between the two countries. Moreover, Kuwait's ports have provided Iraq with badly needed port facilities.

Kuwait has declared the island of Busyan, the closest Kuwaiti territory to Iran, a restricted military area. The island is a fully equipped naval air base, according to Kuwait's minister of defense, Sheikh Salem al-Sabah, who warned Iran against attacking Busyan.

Regarding Iraq as its front line, Kuwait rallied along with the other Gulf states to extend financial aid to Baghdad to help stem Iraq's expansion and — more importantly — to halt the advance of religious fundamentalism.

As their backing for Iraq becomes more open and the pressures of the war increase, Kuwait officials seem to be finding it less desirable to try to temper Iran's revolutionary fervor and are more inclined to think in terms of defending their country.

Kuwait is backing its firm stand against threats within and outside its borders with an increasingly sophisticated and better trained army. It has moved to acquire modern hardware and to coordinate its defense with Saudi Arabia. Western sources recently said that Kuwait was seeking ways of integrating its battalion of Hawk ground-to-air missiles

with Saudi AWACS, the airborne warning and control systems. It also has broadened the range of weapons to be used by its armed forces over a short period of time, partly by diversifying its suppliers to include the Soviet Union; and it is raising its number of fighter aircraft to 32 French Mirage F-1 fighters.

Kuwait's relations with the two superpowers have varied during the last year, largely reflecting U.S. and Soviet responses to Kuwaiti requests for arms. Kuwait maintains the GCC's view that the region's defense is the responsibility of its member states, and it is firmly against direct U.S. involvement in the event of a protracted Gulf war.

But one source of temporary displeasure with Washington last year was the Reagan administration's rebuff to a Kuwaiti request to buy Stinger missiles.

As a result, Kuwait made a similar request to Moscow. It is the only Gulf state acquiring Soviet arms, in addition to being the only GCC member with full diplomatic relations with the Soviet Union. The same is true for China, and Kuwait lately has moved to develop economic ties with Beijing.

—OLFA TOHAMY

Real Estate Market Goes From Boom to Bargain Rents

KUWAIT — The commercial area of the center of Kuwait is a dramatic landscape of large tower blocks and even larger cranes hovering over half-finished buildings. Cries of economic woe are not easily reconciled with this scene, until one remembers that the lead time on these buildings is three to four years.

Most were conceived at the peak of the oil boom in 1980. They are being completed in a market that has no need for them, where rents have crashed an average 50 percent in the last year alone.

In 1981 came the height of the Souk al-Manakh speculation. Even the most hard-headed businessman was involved; it provided a spark of excitement and it could not, so everyone assumed each other, go wrong. In the Souk al-Manakh building itself, where a physical presence, however small, was needed for share dealing, floor space was being offered at 28,000 dinars (\$92,000) a square meter; a tiny shop changed hands for 9 million dinars.

Such prices inevitably had an impact on adjoining land prices. Some of the real estate in the center of the city was actually registered in the name of semi-fictitious companies traded on the Souk al-Manakh exchange.

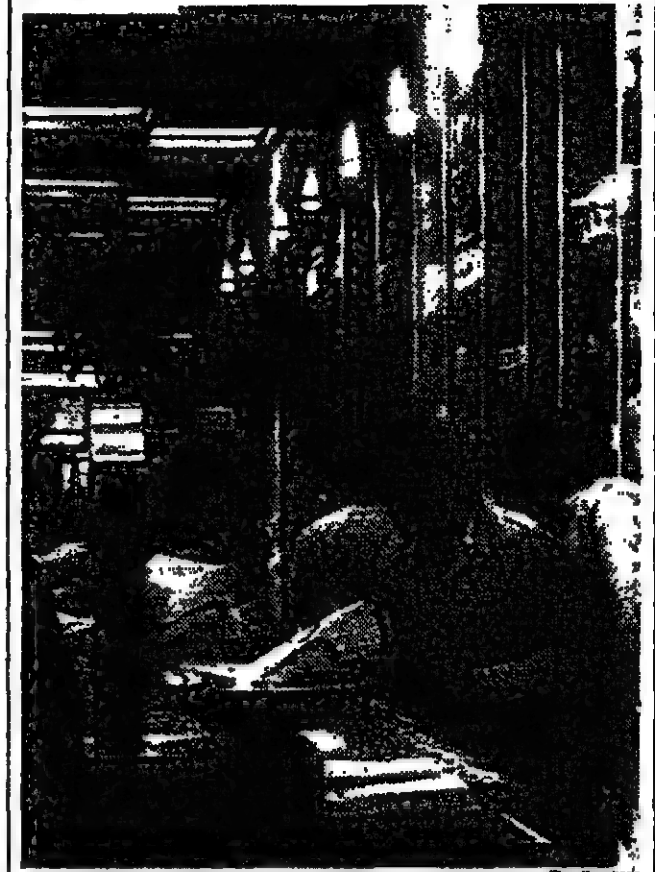
In 1982, oil revenues slid downward and the Iran-Iraq war began to make itself felt on Kuwait's re-export business. The downturn in the economy suddenly affected

confidence in Souk al-Manakh. When the crash came in the autumn of 1982, real-estate prices were among the first to be affected. Now the huge commercial complexes are either half empty (landlords would rather keep them empty because lowering the rates affects the selling price) or rents have been halved.

Many of the cranes are moving out of the commercial area into neighboring Sharq, the direction in which business was destined to expand had the boom continued. Sharq is a good reflection of the real-estate situation today. Older buildings, such as the three white towers of Abraj al-Awadi, although only four years old, are already showing signs of wear and tear in their rents (about 5 to 8 dinars per square meter).

The new blue-glass Sharq Tower, complete with helipad, rents at about 11.5 dinars a square meter, already down from 18 dinars, which was asked initially. And the warning signs are finally being heeded: Two 20-story towers at Al-Mashriq nearby have been postponed, while the Kaleejyah block, built as offices, has been converted into a department store, the only one in Kuwait.

The fact that rents have halved in a year is only realistic, according to Ziad Taki, chief economist at the National Bank of Kuwait. Rents in 1980-1981 were wildly exaggerated. There are some impressively large projects to come on to the market,



The shopping center in the mall inside the Meridien Hotel in Kuwait City.

the population that is not Kuwaiti and cannot afford the apartments. So they remain empty. City dwellers blame town planners for environmental problems. Kuwait City was laid out for a higher population growth than has, in fact, occurred. The plan gave the

—SARAH SEARIGHT

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Ample Liquidity Backs Financial Institutions

(Continued From Page 9)

ing operations — but the deal fell through when one of the eight banks refused, sources said.

An agreement of the Kuwait Financial Center is expected to be the less difficult of the two since several of its shareholders, which include members of the ruling al-Sabah family as well as members of other powerful merchant families — have committed another 5.5 million dinars in fresh capital.

While the commercial banks of the first tier are better positioned to deal with the economic downturn, they are, nevertheless, still saddled with sizable doubtful domestic debts that are demanding more and more of management's time to resolve. Local bankers have suggested that these bad debts total as much as 1.5 billion to 2 billion dinars, or about 40 percent of the entire domestic loan commitments of the banks. One bank manager, for instance, conceded that if he applied his American definition of a nonperforming loan to his portfolio, interest that is more than 180 days past due, then at least half would fit the bill.

Largely due to the fall in share prices, borrowers either lack the liquidity — or refuse to liquidate foreign assets — to repay their loans to provide additional collateral that may be called for in the "top-up" clauses of their loan agreement.

Likewise, it is difficult, not to mention costly, for a bank to foreclose and sell off whatever collateral is collected because selling in such a thin share and real-estate market would only accelerate the downward pressure of prices and make the collateral worth even less.

The banks are thus finding themselves between a rock and a hard place, and their options are few: basically, to hike up their provisions and, as one banker suggests, "write off the hopeless, and reschedule the wounded but breathing into medium-term, low-yielding credits and hope for the best."

One proposal making the rounds among the banks is to form a new company, capitalized jointly, at least at 1 billion dinars, by the banks and the government, which would buy the bad debts at a steep discount and then negotiate directly with the borrowers on a rescheduled. Another, perhaps more realistic, proposal, since parliament may not be receptive to the first idea, is to establish a management or steering committee representing the banks that would be empowered to negotiate on behalf of all the banks on the terms of any rescheduling. But the risk would re-

main on each individual bank's books.

While the consolidated assets of the banks declined by 4 percent last year to 9.5 billion dinars from a peak of 9.9 billion dinars in 1983, the decrease was due entirely to the decline by nearly a fifth in inter-bank activity.

Total domestic and foreign lending investments in fact rose by 9 percent to 6 billion dinars. Reflecting the diversification strategies employed by most of the banks, foreign loans and investments accounted for nearly half the growth, rising by 27 percent during the year to 1 billion dinars while loans to the domestic private sector rose 7 percent to 4.1 billion dinars after registering a slight decline in 1983. Other domestic investments, in the government relief bond issues on behalf of the smaller Souk al-Manakh debtors or commitments to the specialized institutions, accounted for another 931 million dinars.

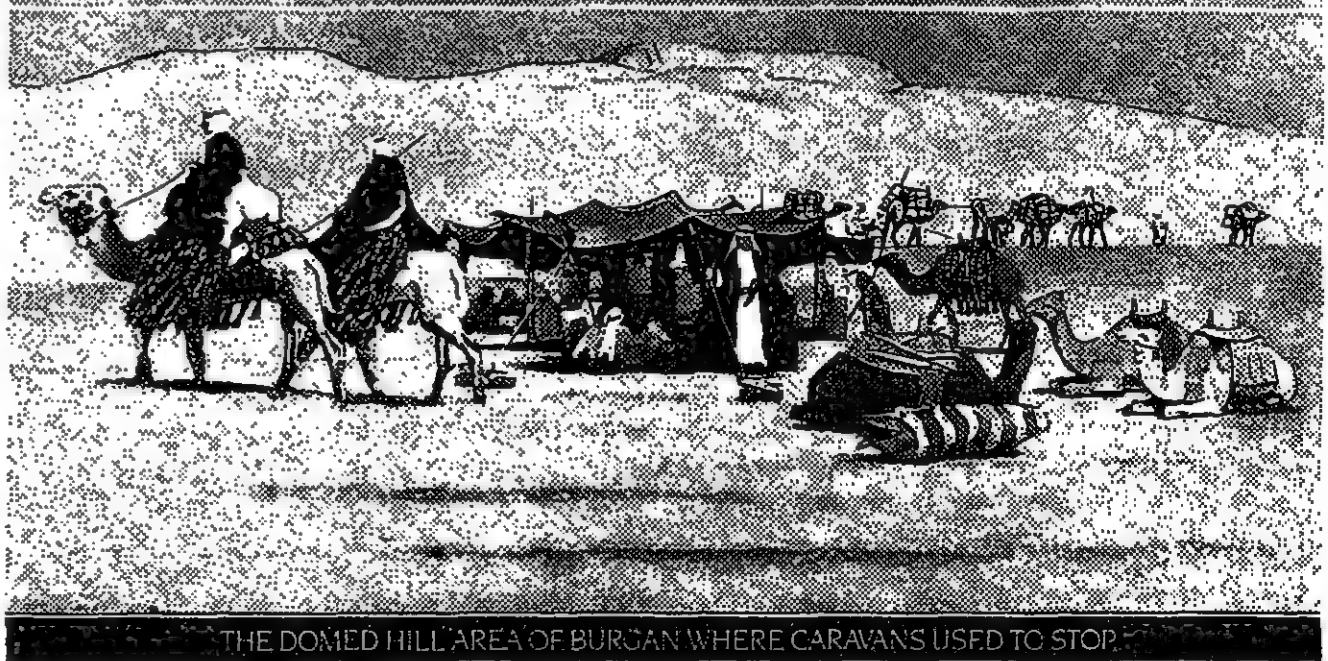
Unfortunately, deposits only rose half as fast, rising 4 percent during the year to 4.5 billion dinars. Furthermore, there was a fundamental shift out of the more appealing non-interest-bearing demand accounts, which drove up the average cost of funds. Demand, or current, deposits steadily declined by 25 percent through the year to 558 million dinars as investors lost interest in the speculative plays in either the real estate or stock markets. Instead, they shifted surplus dinars into foreign-currency accounts when the interest rate differential on dinar and Eurodollar deposits widened to 4 percent in the spring.

Particularly irritating to many of the banks was the Central Bank's refusal in September to allow the banks to charge an interest rate of more than 10 percent — including all front-end fees — for dinar-denominated loans. Those banks brave enough to lend during the period found themselves lending at rates below the top end of their marginal cost and funds, a practice banks are not especially fond of.

While the actual profits were certainly lower in 1984 from 1983, the banks could have opted still for slightly higher published profits to maintain an image of continued growth, but which of course, would have also meant less provisioning. The Central Bank stressed the latter.

The higher provisions will no doubt strengthen the banks over the long term. The Central Bank, in effect, removed shareholder pressure on the banks' management — usually their board of directors — to pay out the higher dividends and instead slash away additional provisions against what could be higher writeoffs this year.

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An automatic cash dispensing machine in Kuwait City.

self, especially the young, involved in the economy. It was for licenses and loans for their ventures provided they could get them. They were employed in these firms.

One way of getting around many obstacles to local industrialization is to go overseas, follow the example of Kuwait Petroleum Corp.'s global ramifications. Technology transfers, and in the industry this has worked to a large extent. In other economic sectors, however, it is less certain: it is still not enough Kuwaiti for it.

The Industrial Bank is pursuing the overseas investment in a venture-capital project — in the United States, Southeast Asia, Japan. The idea is to invest in technology, ventures that may be high risk, highly rewarding above all, educative. At least an alternative to real estate and services.

nt Outlook

s and it also publishes a weekly

Beacon) is owned by the Al-Faraj in chief is Mohammed al-Sayid, who is also the owner of the daily newspaper. The paper has a reputation for being one of the most critical in the Gulf. It was founded in 1964, during the Nasserist wave, when a pro-Arab nationalism was rampant.

It was an Egyptian intellectual who established the format of the present edition. Mohammed al-Sayid, a sociology professor at Kuwait University, is Al-Rai al-Ahli, often projecting a harder, more Syrian line than the other papers.

News) is owned by the Marzouki family. It is a cultural monthly, with a circulation of 1,000 copies. It was founded in 1964, during the Nasserist wave, when a pro-Arab nationalism was rampant. It was an Egyptian intellectual who established the format of the present edition. Mohammed al-Sayid, a sociology professor at Kuwait University, is Al-Rai al-Ahli, often projecting a harder, more Syrian line than the other papers.

try of Planning, Fuad Mulla Hussein, says the government will avoid fluctuations in domestic spending and will be among the few such expenditures in 1986 to the average of those in the three years. Estimates range from 40 million to 60 million to 750 million to 1.5 billion dinars.

A new five-year plan is being drawn up, reflecting a commitment to planning and development.

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A SPECIAL REPORT ON KUWAIT

At Stock Exchange, Prices Mirror Lack Of Confidence

KUWAIT — "The \$64,000 question right now," the young Kuwaiti suggested as he sipped his tea while talking about the recent fall in share prices in Kuwait's stock market. "Is how do you break this vicious cycle of falling prices and investor confidence feeding on each other?"

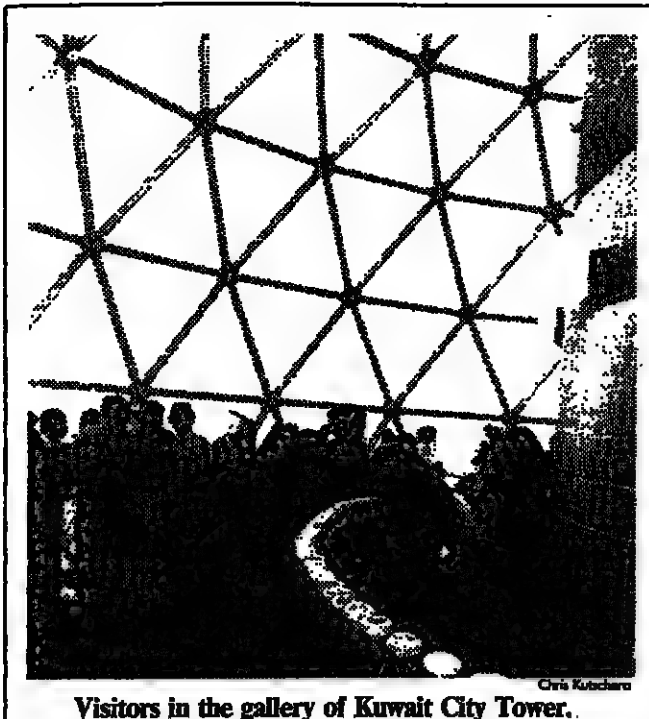
It is perhaps the question being asked by nearly everyone in Kuwait at receptions, dinner parties and at board meetings. In the year since the government ended its costly and ill-conceived price-support program last April, share prices on the official exchanges have on average fallen by more than half, wiping out some 3.7 billion dinars in assets. The freefall has been even worse on the over-the-counter market.

Although perhaps overplayed by the media, the repercussions rippling through the Kuwaiti financial sector are of mounting concern, be-

it the falling value of bank collateral against increasingly shaky loans or the value of the assets turned over to Souk al-Manakh creditors that were based on valuations last November.

But the crisis has led also to structural changes in Kuwait's stock market that is providing for a far more credible and realistic foundation once, as one Kuwaiti puts it, "the last debris of the speculative fever of the past is cleared from the books." It is on this the optimists — although few, admittedly — are pinning their hopes.

First, a tally of the damage done. Despite the brief rallies in May and again in October, share prices on the official exchange fell last year by an average 43 percent, according to the Securities Group's All Shares Index, which sank to 58.7, from 103 at the end of 1983. Investors have shied away from the market unless desperate for liquidity,



Visitors in the gallery of Kuwait City Tower.

According to statistics from the Central Bank of Kuwait, trading volume on the official exchange fell 84 percent, to a scant 8,387, in the fourth quarter, from 55,043 in the previous fourth quarter. Total trading volume for the year was only 19,804 shares, barely a third of 1983's volume and but a fraction of 1981's peak turnover of nearly a quarter million shares.

In the over-the-counter market, where the Gulf-registered shares formerly traded on the Souk al-Manakh exchange now are listed, the decline was even more steep. According to the index tabulated by Amwal, a financial consultancy and information service, prices fell an average 75 percent.

One company, Kuwait Sanitary Wares, was liquidated in November, reducing the number of listed shares on the official exchange to 47, and of these, another 18 have not been traded at all; and several analysts predict that depending on the effort to reschedule debts or induce shareholders to inject fresh capital, anywhere from two to six more companies will be liquidated before the end of the year.

The damage to the balance sheets of the numerous investment companies is reflected in 1984, even among the best managed firms. The Securities Group,

among the most professionally run institutions and a key market maker in domestic shares, turned in a loss of 15 million dinars in 1984 and saw its shareholder equity written down by 28 percent to absorb the losses; the Arab Company for Trading Securities, another of the better managed firms, had its entire 5 million dinars wiped out and it is appealing to its institutional shareholders for a new injection of capital, which is likely.

The troubles incurred by Kuwait Financial Center and the Jawad and Haidar Y. Abdulhassan and Co. money changers can be directly traced to the writedown of their domestic share investments, which exceeded their total capital available.

The turn of the year did not bring any more good news. Prices, as measured by the All Share Index, fell at least another 20 percent in the first quarter, bringing the market capitalization down to about 3.3 billion dinars.

Amwal, which tends to be among the more pessimistic forecasters, predicts that prices still have room to fall, but not much further simply because holders will not bother to sell at all, regardless of how badly liquidity is needed once prices reach a certain floor.

— KEVIN MUEHRING

Reduced Oil Quota Brings Gas Drop

KUWAIT — Kuwait's insufficiency in gas supplies seems unlikely to be resolved in the near future. Officials are hesitating about alternatives, while the petrochemical industry is suffering the consequences.

Output of associated gas rose by about 25 percent, due to a comparable increase in oil production during the second half of 1983 and the first half of 1984. At that point, oil production averaged 1,100 barrels a day, and measures taken to reduce flaring also helped raise associated gas production.

But with a reduced oil quota of 900,000 barrels a day since last November, Kuwait's natural-gas supplies have dropped to levels that are alarming to the country's power-generation plants and petrochemicals industry, which rely heavily on it as feedstock.

After having experienced similar problems in the past, when the country's oil production fell to almost the same level three years ago, Kuwait's power-generation plants have adapted. These plants have been partly converted to operate with crude oil and heavy fuel oil.

Two recent discoveries made by Kuwait Oil Co., in Kuwait, and Kuwait Petroleum Corp.'s overseas subsidiary, Santa Fe Minerals, in China, seem unlikely to end the shortage.

Kuwait Oil's discovery of the Magwa Field was the result of an extensive exploration drive to find unassociated gas. The oil output that it can produce when it comes onstream next year will be small; it will begin production at a modest rate of 50,000 barrels a day. Santa Fe's discovery of offshore nonassociated gas reserves in the China Sea, although considered commercial, will not fill the gap in Kuwait's domestic market, oil officials say.

Kuwait Petroleum's deputy chairman, Abdul Razzak Mulla Hussein, said that the high cost of shipping the gas, which would have to be liquefied and would require special tankers and a separate port, would not make it economically viable to ship it to Kuwait. "We would have preferred to find oil in China and gas here," he said.

Top officials at Kuwait Petroleum are hesitant about importing liquefied natural gas. They also seem to have dropped plans for a pipeline to extend from the United Arab Emirates to avoid shipping hazards in the Gulf because of the war between Iran and Iraq. They seem to have totally discarded ideas floated in the past about importing LNG from Algeria.

But they say that the long-term alternative of a network extending from Qatar's rich North Field to cover all countries that are members of the Gulf Cooperation Council, especially Kuwait and Saudi Arabia, has not been discarded.

The project would require a collective GCC decision, as well as massive investments, which its members are not in a position to make at present. A more feasible and closer alternative would be the Southern Gas Field project to erect an offshore field in the neutral zone partitioned by Kuwait and Saudi Arabia. But disagreement between the two countries is hampering the project.

The shortage has had a tangible impact on two costly ventures designed to operate with feedstock. These are the Shuaiba LNG plant, which has one out of three trains operating below capacity. The other is a \$1-billion plant designed for export, but currently providing only the domestic market's needs.

The company most affected by the cuts in gas production is Kuwait Petroleum's subsidiary, Petrochemical Industries Co., which has incurred heavy losses lately. Although the drop in its sales revenue last year was marginal, the company's balance sheet shows that its net loss for last year was three times bigger than the previous year, and its total loss was four times as large. Its figure for last year was 9.6 million dinars (about \$29.5 million). The balance sheet incorporates income from PIC's foreign investments or subsidiaries. Last year, the company operated at 61 percent of its production capacity of 1 million tons of ammonia and 792,000 tons of urea annually, including the new ammonia plant, which was completed last year. Its salt and chlorine plants have been operating at half capacity.

In spite of last year's outcome, which was also aggravated by a downturn in world demand for fertilizers, PIC's chairman and managing director, Abdul Baqi al-Nouri, said he believed the gas shortage is temporary. Moreover, he said, commenting on the company's losses and the weakening petrochemicals market, "had we gone ahead with the olefins and aroma-



Soldiers and Kuwaitis gather at an armed forces display on National Day.

tics plant, we would have been in trouble."

However, PIC seems to be expanding locally on its own as well as through Kuwait Petrochemical Products Co., in which it has a stake. The two new projects for which letters of intent have been signed include a PIC plant producing 60,000 metric tons of polypropylene annually, and a KPPC plant producing 32,000 metric tons of polystyrene annually. The two plants, which will be built at the Shuaiba industrial zone, will cost \$85 million and \$30 million respectively, and they are expected to come onstream in two and a half years.

Kuwait Petroleum's 24-percent participation in West Germany's top-ranking petrochemicals producer, Hoechst, seems in retrospect to be the most rewarding foreign investment it has made so far in the field in terms of its technical and financial returns. Hoechst has been improving its performance and expanding its worldwide operations lately, and PIC is hoping that it will help it diversify.

Mr. al-Nouri said PIC, which is represented on Hoechst's board, planned to draw on the international firm's technical and marketing experience for branching into pharmaceuticals. He also said that

PIC would be seeking its help in its new polystyrene venture and could also draw on its expertise in the area of pesticides.

PIC's foreign assets in Bahrain, Turkey and Tunisia, valued at close to \$100 million have yielded a modest revenue of less than \$1 million last year, according to PIC's financial statement. Out of seven petrochemical and fertilizer plants, in which the company has a direct participation, only one, Turkey's Mediterranean Fertilizer Industries, seems to have produced a dividend last year.

— OLFAT TOHAMY

Rising Star in World Oil Lineup

KUWAIT — Kuwait Petroleum Corp. has gone through a year of consolidation, with its downstream expansion slowing as its upstream activities picked up. Its overall growth over the last five years, however, justifies Kuwaiti aspirations for this newcomer to become the eighth of the world's majors, known as the Seven Sisters.

With total assets of 4,912 billion dinars (\$15.1 billion), the gap between Kuwait Petroleum and Exxon remains wide. Exxon is the largest of the majors, with assets of \$62.3 billion. But in proven oil reserves, one measure of a multinational's strength, KPC is first. Its proven reserves have risen to more than 90 billion barrels, and some experts say may even be 100 billion barrels.

Kuwait Petroleum's technical expertise and impressive marketing capabilities also assure it a place at the top in a market that has witnessed a number of mergers and financial restructurings in major companies.

Although Kuwait Petroleum's acquisition of Santa Fe International Corp. gives it an edge in technological development, its main challenge is to create its own viable base for improvement in the field.

Created in 1980, the company was founded on a number of nationalized companies that now represent its local subsidiaries. These are Kuwait Oil Co., which is responsible for exploration and pro-

duction in Kuwait; Kuwait National Petroleum Co., and Kuwait Petrochemical Industries Co.. The petrochemical subsidiary was the first locally incorporated unit to branch out, forming joint ventures and acquiring companies outside Kuwait.

Kuwait Petroleum's other locally registered subsidiary that promises to enhance its international role is Kuwait Foreign Petroleum Exploration Co. Its most important subsidiaries outside Kuwait include, apart from Santa Fe, Kuwait Petroleum International, which is a wholly owned subsidiary entrusted with integrating downstream European acquisitions into the KPC system and streamlining those activities in line with Kuwait Petroleum's policies.

The company forecast that its consolidation efforts over the last 18 months would produce results during the 1984-85 fiscal year ending June 30. It budgeted an estimated \$11.8 million in total revenues. Company officials say they hope total profit will almost double, from \$1.9 billion last year to \$3.3 billion this fiscal year.

In the 1983-84 fiscal year, total profit amounted to 345 million dinars. Net profit for the same period was 280 million dinars.

All KPC reports, including the annual report, omit profit and loss accounts for its subsidiaries, and the only figures available are consolidated for the corporation as a whole. Thus, an assessment of its

financial performance is difficult.

But it is clear that the contribution of the subsidiaries incorporated outside Kuwait to the company's total revenues is modest, at about 18 percent of the total. The reports also show that KPC continues to rely heavily on sales of crude and refined products, representing 41 percent and 33 percent of total revenues respectively.

The year-end results also show that petrochemical sales amounted to less than 1 percent of total revenues. Income from shipping subsidiaries, grouped with other marginal operations, was 8 million dinars, which is a fraction of 1 percent of total revenue.

KPC's chairman, who is also minister of petroleum and industry, Sheikh A.Khalifa al-Sabah, is the architect of the company's growth. He correctly predicted shortly after the company's incorporation that it would be selling 60 percent of its total exports as products in 1985.

The Gulf war has had a tangible impact on KPC exports, which dropped at the height of the tanker war during May and June last year, prompting a collective decision by the Gulf's exporters to replace shipments hit by Iran or Iraq. It has also led Kuwait to take the added burden of chartering from 15 to 20 vessels monthly to deliver shipments to clients outside the Gulf's troubled waters at the United Arab Emirates port of Khor Fakkan.

— OLFAT TOHAMY

Settlements Near for Market Claims

KUWAIT — The Souk al-Manakh officially ceased to exist last November when all curb share-trading was brought under the control of the official stock exchange. But the crash continues to haunt Kuwait.

The procedures needed to remove its physical effects now have been completed, with the final resolution of the defaulters' debts.

The total assets of those in receivership are put at 1 billion dinars and liabilities have been reduced to 735 million dinars (which suggests that assets still are overvalued). Of these, 471 million dinars were claims by nondefaulters.

The settlement agency has found cash backing for all but 65 million dinars of outstanding claims. Repayments are being phased and categorized. In addition to the 180 million di-

nars the settlement holds in cash, Kuwait's three investment companies and four major real-estate companies are advancing 220 million dinars to underwrite real estate and the Kuwait Foreign Trading, Contracting and Investing Co. is providing 60 million dinars to buy "official" shares.

At the same time, the company has put up another 60 million dinars to purchase Gulf and Kuwait closed company shares, estimated in the total assets at 220 million dinars but realistically at not more than what Kuwait Foreign Trading is prepared to put up for them. Finally, the banks have provided a contingency fund of 150 million dinars to cover a portion of the 320 million dinars owed by nondefaulters to the receiver.

— ALAN MACKIE

Stock Overhangs, Tight Liquidity Curbing Prices

KUWAIT — Business in Kuwait's souk is flat. In the gold market, the most competitive prices in the world will be quoted for fine Italian work, and there are similar bargains to be found elsewhere. The competitiveness is, however, spotty.

Traders still maintain an imperious disregard for prices when it comes to huddle daily items like a dry battery, which can double in price from store to store. But, in general, the large stock overhangs and the tight liquidity are making merchants realize that they can no longer dictate prices the way they used to do.

It is a startling change from just a few years ago, when a Kuwaiti trader would have felt cheated with less than a 100-percent markup.

Many in the merchant community are still recovering from the Souk

al-Manakh crash and from being caught with high stocks when the boom in the Iran-Iraq re-export trade went flat after the Gulf war started. This situation, coupled with the slowdown associated with the unwinding of the development boom, the oil glut and the continuing war, has provoked a state of deep trauma.

The trade statistics, such as they are, tell the story. Because of problems with computerization, no official figures have been published yet for 1984. Estimates for 1983 indicate a 10-percent drop in imports, to 2.15 billion dinars (\$7.1 billion). Non-oil exports, of which re-export accounted for 70 percent in 1982, dropped an estimated 25 percent in 1983, to 377 million dinars. A large part of the fall was due to the drying up of the Iran-Iraq re-export trade.

The main victims of the drop have been sales of consumer durables and electrical goods. Surprisingly, Japan's dominant position in this market has been unaffected by the slump. It is the only one of Kuwait's major trading partners to have maintained not only its market share but also its level of exports in absolute terms. Japan's exports, at around 570 million dinars, now represent more than 25 percent of Kuwait's import bill.

Japan's outstanding success reflects a growing selectivity and cost consciousness on the part of the Kuwaiti consumer. Kuwaitis are not only turning to medium-range Japanese cars in place of American gas guzzlers but are also opting for a Japanese model rather than an American one in the same range because of price. Japan is also making inroads into another traditional

American preserve: air conditioners.

The United States lost second place to West Germany in the import league in 1981 and, according to recent figures published by the Organization for Economic Cooperation and Development, it has now been overtaken by France, which benefited from a rapid build-up of arms sales last year. The United States can still hold its own in certain technical areas like oil and gas equipment sales and services, and there is a solid demand for certain brand-name items as well as a thriving business in automobile spares. But with the dollar approaching record levels, the outlook for most U.S. exporters looks bleak.

Although the overwhelming bulk of Kuwait's imports are from the major non-Communist industrial countries, the Eastern bloc and China are making inroads. Hungary and Bulgaria are an increasingly important source of foodstuffs.

China, in particular, has been cultivating Kuwaiti links. A Chinese trade and economic delegation visited Kuwait in December to discuss, among other things, possible joint ventures, and earlier this year, the Kuwaiti minister of oil and industry, Sheikh Ali al-Khalifah al-Sabah, visited Beijing to sign an agreement setting up a tripartite company with Tunisia to manufacture phosphates in China. China is also becoming a source of labor for the local construction industry.

All the indications are that 1984 was as bad as 1983, and 1985 looks like it will be a little better. The recession could last well into 1986, according to the head of the Chamber of Commerce and Industry's research department, Abdel-Azziz Hoshi. In his view, a revolution is taking place in the way Kuwait is doing trade. He predicts that Kuwait's trade will increasingly follow investments.

There are already signs of this happening. Government departments have been instructed to buy Mercedes-Benz cars for top officials. Since Kuwait has a 14-percent stake in Daimler-Benz, it is hardly a coincidence that the Mercedes has superseded the Cadillac as Kuwait's prestige car.

The government has made various attempts to help the private sector. The subsidy on beef sold in local cooperatives was lifted, sparking a price war with the private sector. A free-trade zone, essential if Kuwait is to realize its potential as an entrepot, is being set up.

— ALAN MACKIE

CONTRIBUTORS

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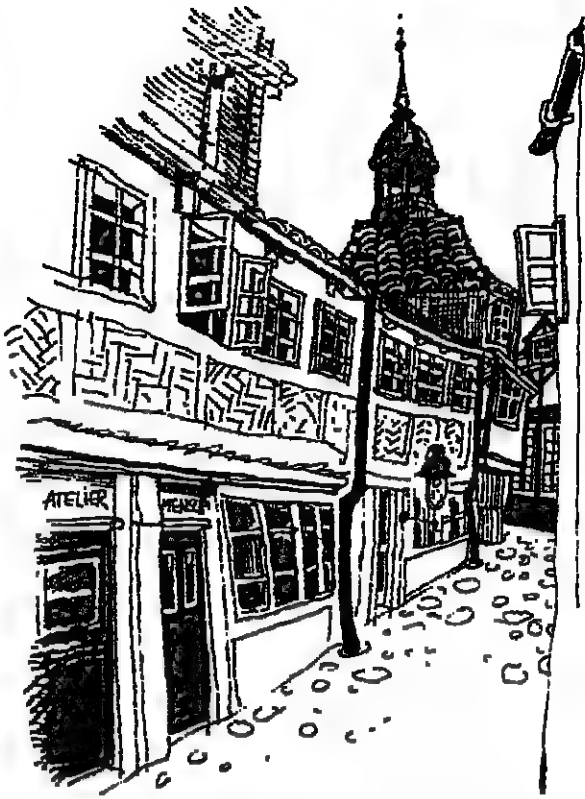
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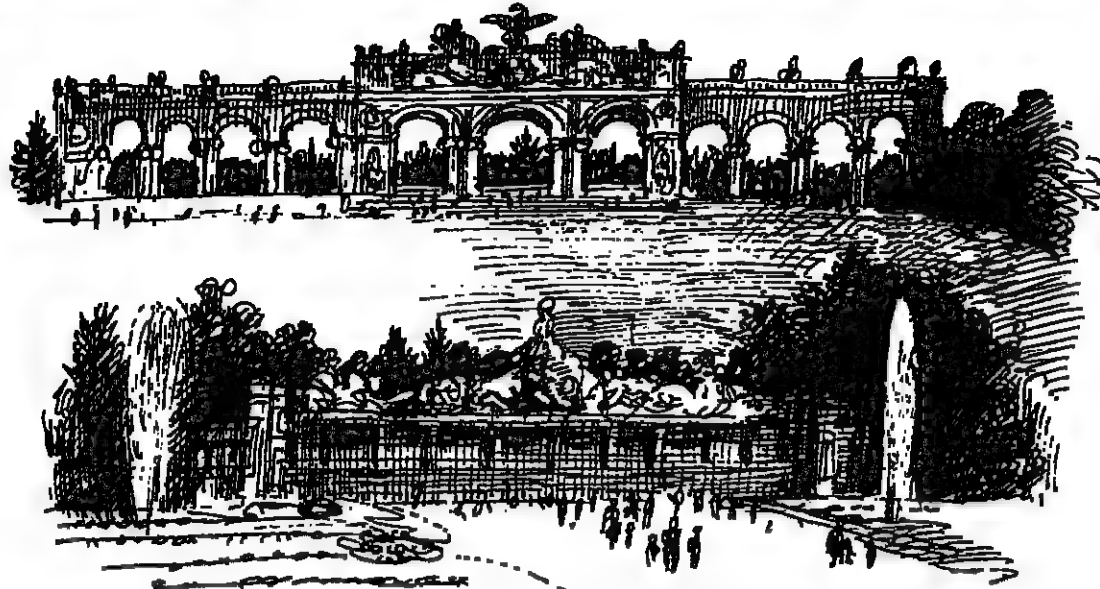
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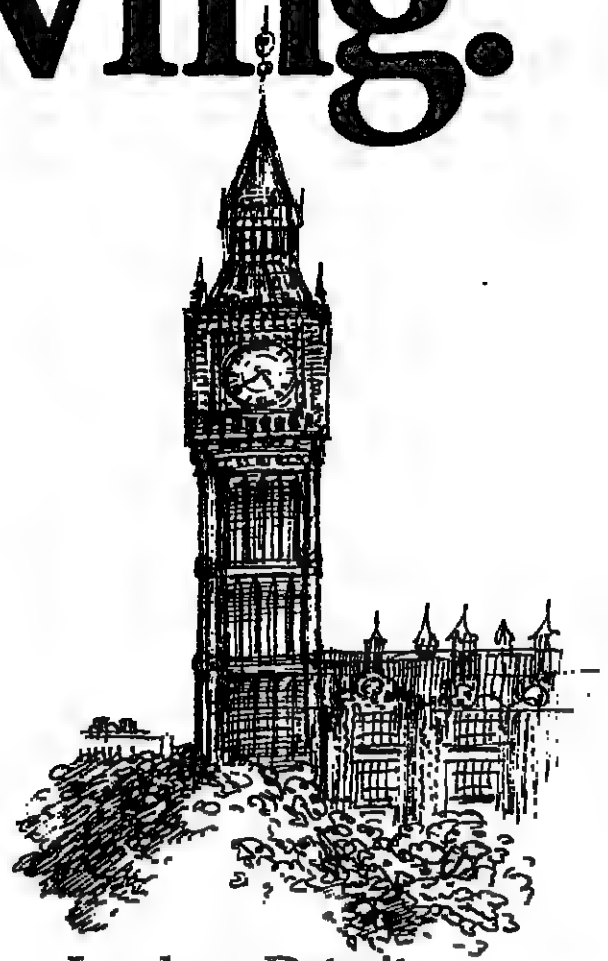
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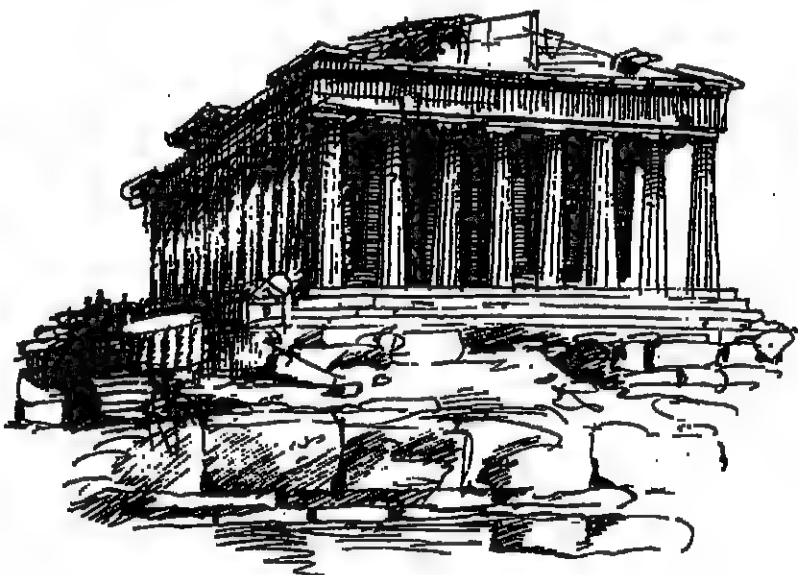
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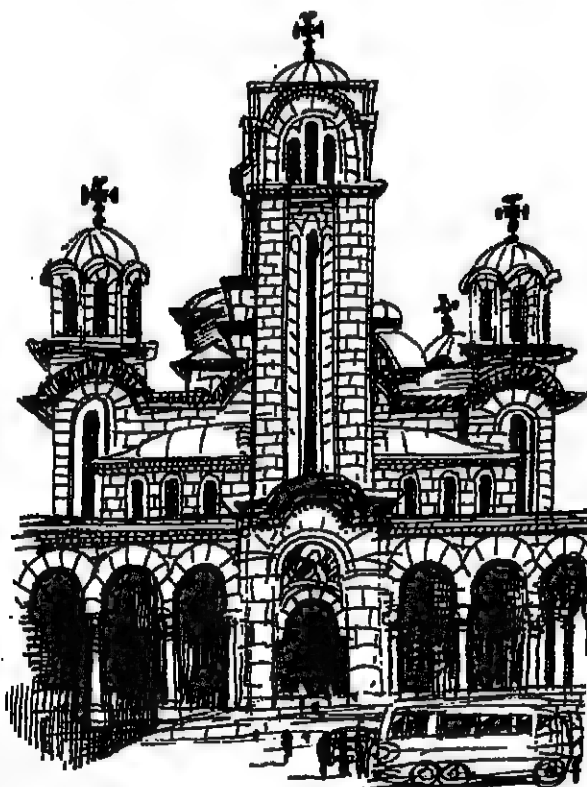
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ay on National Day.

PIC would be seeking its help, new polystyrene venture and also draw on its experience in area of pesticides.

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—OLFAT TORUM

Lineup

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—OLFAT TORUM

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NYSE Most Actives				
Vol.	High	Low	Last	Chg.
Unocal	48.75	47.50	48.00	+1.25
AT&T	100.00	98.00	99.00	+1.00
IBM	100.00	98.00	99.00	+1.00
AT&T	100.00	98.00	99.00	+1.00
IBM	100.00	98.00	99.00	+1.00
AT&T	100.00	98.00	99.00	+1.00
IBM	100.00	98.00	99.00	+1.00
AT&T	100.00	98.00	99.00	+1.00
IBM	100.00	98.00	99.00	+1.00
AT&T	100.00	98.00	99.00	+1.00

Dow Jones Averages

	Open	Previous	Close	Today
Indus.	1264.11	1274.41	1274.41	1274.41
Trans.	100.00	100.00	100.00	100.00
Comp.	516.18	516.18	516.18	516.18

NYSE Index

	Open	Previous	Close	Today
Indus.	1264.11	1274.41	1274.41	1274.41
Trans.	100.00	100.00	100.00	100.00
Comp.	516.18	516.18	516.18	516.18

Wednesday's NYSE 3pm

	Vol.	High	Low	Last	Chg.
Unocal	48.75	47.50	48.00	48.00	+1.25
AT&T	100.00	98.00	99.00	99.00	+1.00
IBM	100.00	98.00	99.00	99.00	+1.00
AT&T	100.00	98.00	99.00	99.00	+1.00
IBM	100.00	98.00	99.00	99.00	+1.00
AT&T	100.00	98.00	99.00	99.00	+1.00
IBM	100.00	98.00	99.00	99.00	+1.00
AT&T	100.00	98.00	99.00	99.00	+1.00
IBM	100.00	98.00	99.00	99.00	+1.00
AT&T	100.00	98.00	99.00	99.00	+1.00

Previous AMEX Diaries

	Open	Previous	Close	Today
Indus.	1264.11	1274.41	1274.41	1274.41
Trans.	100.00	100.00	100.00	100.00
Comp.	516.18	516.18	516.18	516.18

NASDAQ Index

	Open	Previous	Close	Today
Indus.	1264.11	1274.41	1274.41	1274.41
Trans.	100.00	100.00	100.00	100.00
Comp.	516.18	516.18	516.18	516.18

AMEX Most Actives

	Open	Previous	Close	Today
Indus.	1264.11	1274.41	1274.41	1274.41
Trans.	100.00	100.00	100.00	100.00
Comp.	516.18	516.18	516.18	516.18

Dow Jones Bond Averages

	Open	Previous	Close	Today
Indus.	1264.11	1274.41	1274.41	1274.41
Trans.	100.00	100.00	100.00	100.00
Comp.	516.18	516.18	516.18	516.18

Previous NYSE Diaries

	Open	Previous	Close	Today
Indus.	1264.11	1274.41	1274.41	1274.41
Trans.	100.00	100.00	100.00	100.00
Comp.	516.18	516.18	516.18	516.18

Odd-Lot Trading in N.Y.

	Open	Previous	Close	Today
Indus.	1264.11	1274.41	1274.41	1274.41
Trans.	100.00	100.00	100.00	100.00
Comp.	516.18	516.18	516.18	516.18

Standard & Poor's Index

	Open	Previous	Close	Today
Indus.	1264.11	1274.41	1274.41	1274.41
Trans.	100.00	100.00	100.00	100.00
Comp.	516.18	516.18	516.18	516.18

AMEX Sales

	Open	Previous	Close	Today
Indus.	1264.11	1274.41	1274.41	1274.41
Trans.	100.00	100.00	100.00	100.00
Comp.	516.18	516.18	516.18	516.18

AMEX Stock Index

	Open	Previous	Close	Today
Indus.	1264.11	1274.41	1274.41	1274.41
Trans.	100.00	100.00	100.00	100.00
Comp.	516.18	516.18	516.18	516.18

New York Stocks Turn Mixed

Compiled by Our Staff From Dispatches

NEW YORK — The stock market turned mixed Wednesday, running into some selling after the rally of the past six sessions.

The Dow Jones average of 30 industrials, up 16.57 points in the last six trading days, was down 0.56 to 1,268.99 with two hours to go.

Gainers held a 4-3 lead over losers among New York Stock Exchange-listed issues. Volume came to 68.49 million shares with two hours to go.

The market has been moving ahead slowly but persistently in recent days, aided by falling

interest rates. Nonetheless, analysts say investors remain in a cautious mood about the economic outlook.

The Commerce Department reported that personal income rose 0.5 percent, while consumption spending dropped 0.5 percent. Those figures were taken as more evidence that the economy is growing more slowly now than it did in the early stages of the expansion dating back to late 1982.

"It's a real mixed market," said Jon Groveman, of Ladenburg, Thalmann & Co. The market is trying to respond to the rally in the bond market, he said. But the only way stocks could have a sustainable rally would be a drop in interest rates, which he doesn't see happening.

The market could trade up another 20 points or so before the next round of selling, he said.

The market's quiet start indicates it is just marking time, said Alfred Harris, of Josephthal & Co. St. Louis.

"The economic news is somewhat of a mixed bag; there is no general trend," he said. "I think there'll be pressure to bring interest rates down."

At midday, Unocal was the most active NYSE-listed issue, off 1 1/4 to 46 1/4. It began an offer to exchange up to 49 percent of its common for a package of secured debt. The \$6.2-billion transaction is designed to derail a hostile takeover bid from T. Boone Pickens, chairman of Mesa Petroleum. Mesa, also active, was off 1 to 17 1/4.

Phillips Petroleum was second, up 1/4 to 40 1/4. Niagara Mohawk Power Corp. was third, up 1/4 to 18 1/4. A block of 750,000 shares was traded.

RCA climbed 1/4 to 42 1/4 in active trading. A Wall Street Journal article discussed the company as a possible takeover candidate.

Limited Inc. fell 1/4 to 37. The company reported inventory problems at its recently acquired Lerner Stores subsidiary, and said \$100 million in Lerner orders from 100 suppliers had been canceled.

Texasco, also active, was up a fraction. CBS Inc. was off 1/4 to 10 1/4. Rumors have circulated that Ted Turner, the cable-television owner, may make a play for the network this week. But a major broker had doubts, and put the stock on the sell list.

Capital Cities Communications was up 1/4 to 20 1/4. Unicom was lower.

(AP, UPI)

To Our Readers

Because of the seven-hour time difference between New York and Paris until April 27, the New York and American Stock Exchange tables in this edition contain information from 3 P.M. New York time. Over-the-counter stock prices are from 2 P.M. New York time. Canadian stock prices, U.S. futures prices and some

other items are from the previous day's trading.

We regret the inconvenience, which is necessary to meet distribution requirements. All editions will again carry closing prices and indexes after April 27, when Daylight Savings Time begins in the United States.

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BUSINESS ROUNDUP

Thomson Net Loss Narrowed in '84

By Axel Krause
International Herald Tribune

PARIS — Thomson SA, France's largest electronics company, sharply narrowed its 1984 net loss to between 30 million francs (\$5.04 million) and the break-even point, from a net loss of 1.25 billion francs in 1983, Alain Gomez, chairman of the state-owned company, said Wednesday.

Mr. Gomez said at a meeting of reporters and business analysts that sales rose 7 percent last year from a year earlier to 57 billion francs, a record. The improvement in sales and the trend toward profit will continue in 1985, he said, but he declined to make specific projections.

Final figures for 1984, he said, will be announced in mid-May.

Thomson's main electronics subsidiary, Thomson-CSF, plans to offer 3.5 billion francs in bonds convertible into equity, Thomson executives said. This will increase

the number of shares by about 5.5 million.

About 49 percent of Thomson-CSF's 10 million shares outstanding remained in private hands after the 1982 nationalization of the parent company, then known as Thomson-Brauni.

Terms of the offering, to be made in both domestic and international markets, are expected to be approved at a shareholders' meeting on May 2, executives said.

They added that Thomson-CSF's return to profitability in 1984, after three consecutive years of losses, should attract interest in the market. The unit had estimated net earnings of 300 million francs in 1984, after a net loss of 840 million francs in 1983. Sales in 1984 rose to 31.5 billion francs, from 24.3 billion francs in 1983.

Mr. Gomez attributed the reduction in Thomson SA's losses to a combination of cost-cutting measures, including a 21-percent reduction over two years in the group's

work force, to 64,000 in 1984 from 81,350 in 1982; a selling off of various properties, and a strong dollar.

About 61 percent of Thomson's sales last year were generated in export markets or by Thomson's subsidiaries outside France, against 56 percent in 1983. These sales were mainly in dollars.

At the end of 1984, the company had orders totaling about 83 billion francs, against 50 billion francs a year earlier, Mr. Gomez said. He added that he expected a decision this summer on a possible \$4.3-billion order for an automated battlefield communications system being considered by the U.S. Army.

Thomson, in association with GTE Corp. of the United States, has proposed its system, known as RAS, which is in service with the French and Belgian armies. Plessey Co. of Britain, in association with Rockwell International Corp. of the United States, also is competing for the order.

Chemical to Buy Ailing Ohio S&L

United Press International

COLUMBUS, Ohio — Chemical Bank of New York has tentatively agreed to buy Home State Savings Bank, a move that would allow depositors to recover their money from Home State and end the state's worst banking crisis since the Depression.

The terms of the tentative agreement call for Chemical to supply about \$50 million as a cash infusion to Home State and a premium for entering Ohio. The state would supply from \$90 million to \$129 million to ensure Home State deposits would get all of their funds. Also, \$87 million in the Ohio Deposit Guarantee Fund would help cover the deposits.

In addition, Chemical would be allowed to operate in Ohio as a full-service bank comparable to any Ohio-based bank.

Unocal Mounts Counterattack on Pickens Bid

By Robert J. Cole
New York Times Service

NEW YORK — In a scorched-earth plan to crush a \$54-a-share takeover attack by T. Boone Pickens, Unocal Corp. said Tuesday that if the Texas oilman got a 51-percent controlling interest in the big oil company, Unocal would pay stockholders \$72 a share, or \$6.3 billion in senior securities, for the remaining 49 percent.

Wall Street professionals quickly dubbed the surprise play a phantom bid in that "it may never happen" because Mr. Pickens might be compelled to withdraw his offer.

Responding negatively to the news, Unocal stock on Tuesday fell \$1.125, to \$47.875, with 4.4 million

shares changing hands. It was the most active issue, and traders were clearly worried that Unocal stock might drop further amid signs that the short-range outlook for a takeover seems to be weakening.

Unocal's offer, due to start Wednesday, would assure shareholders a blended value for their stock of \$63 a share. But if Mr. Pickens got 51 percent, those who did not accept the \$54 in cash from Mr. Pickens would get \$72 in high-grade securities from Unocal, thereby, according to Unocal, assuring stockholders of a "fair value."

The tactic would hand over to Mr. Pickens uncontested control of the 15th-largest oil company in the

United States. But it would be an entirely different Unocal burdened with an inordinately high debt ratio of close to 60 percent.

Unocal's counterattack, according to Wall Street traders, appeared to be a new dimension in corporate warfare. Although not entirely new — Gulf considered using it in an earlier battle with Mr. Pickens — this is its first major use in this form.

Its aim is to find a way to shake Mr. Pickens's financing. Most of the money is being raised by the Wall Street house of Drexel Burnham Lambert in so-called junk bonds that would be sold to wealthy investors willing to take the high risk in return for the high returns.

Some traders said the move seemed to decide that Mr. Pickens might be compelled to withdraw altogether, a step that would also cause Unocal to withdraw. Then Unocal's stock might plunge to pretakeover levels around \$38.

California S&L Has \$100-Million Loss

By Thomas C. Hayes
New York Times Service

LOS ANGELES — Beverly Hills Savings & Loan Association said that it had recorded a loss of about \$100 million in 1984, pushing its net worth for regulatory purposes to about a negative \$30 million.

Most of the loss, reported Tuesday, was related to an increase in reserves for bad real estate loans and investments made by a management team that was removed after an acrimonious takeover battle ended a year ago, according to Terry N. Christensen, a director of Beverly Hills Savings and its legal adviser.

"I attribute it to a desire to cram every deal possible into the savings association in 1982, 1983 and early 1984 in order to make the association grow rapidly," he said.

Dennis M. Fitzpatrick, who was removed as chief executive after a year, said he was "shocked and astounded" by the loss estimate. "I absolutely refute that the loss is the result of the prior management and categorically state that it's the fault of current management," he said.

Michael P. Flaherty, a former legal adviser to the Federal Home

Loan Bank Board who was named president and chief executive of Beverly Hills Savings last year, said the association had agreed to cooperate with the bank board's insurance arm, the Federal Savings and Loan Insurance Corp.

Paul Amir, a Southern California real estate developer, wrested control of Beverly Hills Savings last year in a hostile takeover battle with the company's management, headed by Mr. Fitzpatrick. Mr. Amir owns 17 percent of the company.

Beverly Hills's shares, which are traded in the over-the-counter market, had a bid price of \$32.25, down 25 cents, before the market closed on Tuesday.

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BAIL to Acquire London Broker

International Herald Tribune

LONDON — BAIL PLC, a British unit of BAIL Group, said Tuesday it has agreed to acquire Sheppard & Associates, a mid-sized London stockbrokerage. Terms were not disclosed.

BAIL Group is the holding company for Banque Arabe et Internationale d'Investissement, a French-Arab consortium bank.

Nearly all large British stockbrokerages over the past two years have sought to increase their capital bases by bringing in banks or other financial institutions as major shareholders.

COMPANY NOTES

Bel Canada Enterprises Inc.'s Bell Canada telephone utility will not apply for a rate increase beginning Jan. 1, the Canadian Radio-Television and Telecommunications Commission said, because revenues from local services have been higher than forecast.

Broken Hill Pty. Co. and Shell Australia Ltd. said they have increased their interest in Woodside Petroleum Ltd. to 48.57 percent from 42.6 percent, by market purchases at an offer price of 1.60 dollars (\$1.06).

Daewoo Motor Co. stopped production at its main plant in Puyong, a suburb of Seoul, because of a work stoppage by employees demanding higher wages, the company said.

Frontier Holdings Inc., parent of Frontier Airlines, said it has ended talks with Texas Air Corp., which had offered \$183.6 million for the carrier.

Hughes Aircraft Co. has been awarded a \$58.7-million contract by the U.S. Army for work on tactical data distribution systems, the Defense Department announced. It also said the air force had awarded a \$36-million contract to Litton Industries Inc. for work on navigation units for F-111 aircraft.

National Intergroup Inc. and Bergen Brunsvig Corp. said they have agreed that a merger was no longer feasible, primarily because of the deterioration of steel company earnings in the first quarter.

Nova Park AG, the Swiss hotel group, has been ordered into bankruptcy proceedings. The decision followed a move by Nova Park's largest creditor, Credit Suisse, which said the group now owed the bank 63 million Swiss francs (\$25.2 million).

RCA Corp. has introduced a computerized system for television stations that has on-line capability to play back videocassettes automatically, the company has announced.

Wärtsilä OY, Finland's largest shipbuilder, said it had won a contract to provide a 24,000-ton ferry for Norway's Jævre line. The ferry, due for delivery in the spring of 1987, terms were not disclosed.

ADVERTISING INTERNATIONAL FUNDS

Quotations Supplied by Funds Listed

17 APRIL 1985

The last seven daily quotations shown below are supplied by the Funds listed with the following abbreviations: (A) = American; (B) = British; (C) = Canadian; (D) = Danish; (E) = Dutch; (F) = French; (G) = German; (H) = Italian; (J) = Japanese; (K) = Korean; (L) = Luxembourg; (M) = Swiss; (N) = Norwegian; (O) = Other; (P) = Portugal; (R) = Spain; (S) = Sweden; (T) = Taiwan; (U) = United States; (V) = United Kingdom; (W) = West Germany; (X) = Other; (Y) = Other; (Z) = Other.

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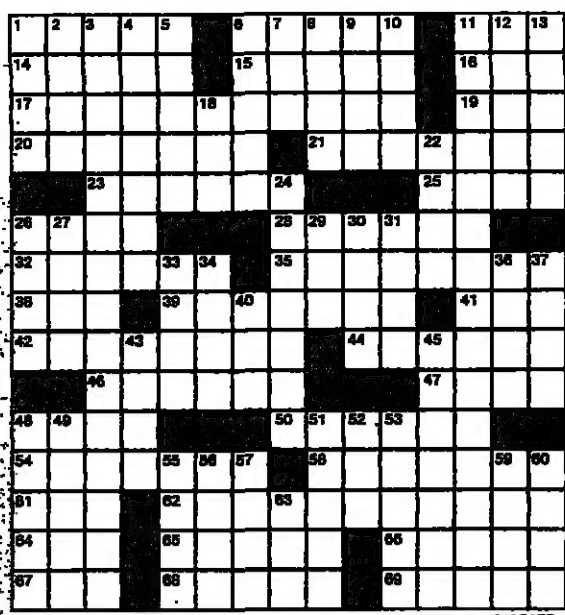
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- ACROSS**
- 1 Park, Colo.
 - 6 Strong winds
 - 11 Nos. man
 - 14 Reprimand
 - 15 "for anybody": Burns
 - 16 Part of a trip
 - 17 The U.S. Congress
 - 18 Bambi's aunt
 - 20 Hortatory
 - 21 Deflect, as light
 - 23 Done, to a Tuscan
 - 25 Curare relative
 - 26 Anent
 - 28 Precursors of mode
 - 32 "Here's—!"
 - 35 "...how sweet is love itself": Romeo
 - 38 Bar stock
 - 39 "throw (shout distance)"
 - 41 Memorabilia
 - 42 Revels
 - 44 — prunes
 - 46 Unrefined
 - 47 Anagram for Ashe
 - 48 Top cards
- DOWN**
- 1 — signum (see the proof)
 - 2 Humbug
 - 3 Big trouble's bit
 - 4 Bulldog, for one
 - 5 — order (align)
 - 6 Waistcoat
 - 7 Berliner's expletive
 - 8 Hidesaway
 - 9 Perry's
 - 10 Word with praise
 - 11 Stainless
 - 12 Peter's
 - 13 Prized marble
 - 18 Don's product: Comb. form
 - 22 Get one's goat
 - 24 Contested
 - 26 Not in harmony
 - 27 Type of performance
 - 29 Euripides drama
 - 30 Compass pts.
 - 31 Not a full prof.
 - 33 Mythical Aztec hero
 - 34 North Sea feeder
 - 36 Knife of yore
 - 37 Art cult
 - 40 Corp. officers
 - 43 Indifferently
 - 45 "to Live!"
 - 46 O'Hara
 - 47 Confuse
 - 51 Set of names: Comb. form
 - 52 Collar
 - 53 Fermi's subject
 - 55 Gide's "Dje"
 - 56 Pop creator
 - 57 Protection
 - 59 Bindistiff
 - 60 "...with seven wives"
 - 63 Received

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DENNIS THE MENACE



"THE REASON I LIKE TURTLES BEST IS BECAUSE THEY'RE THE ONLY PETS YOU CAN PARK YOUR GUM ON."

JUMBLE

Unscramble these four Jumbles. One letter to each square, to form four ordinary words.

DYNAD

WILLT

CLAISO

REVOUD

Answer: AT WITH (Answers tomorrow)

Yesterday's Jumble: USURP CREEK ABOUT DROWSY

Answer: What a person who spends too much time studying ceramics might end up as — A CRACKPOT

WEATHER

EUROPE HIGH LOW F C

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Amsterdam 11 22 13 55

Athens 22 23 13 55

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Belgrade 15 26 46 104

Berlin 15 26 46 104

Birmingham 15 26 46 104

Buenos Aires 15 26 46 104

Cairo 15 26 46 104

Canton 15 26 46 104

Chicago 15 26 46 104

Copenhagen 15 26 46 104

Dallas 15 26 46 104

Denver 15 26 46 104

Detroit 15 26 46 104

Frankfurt 15 26 46 104

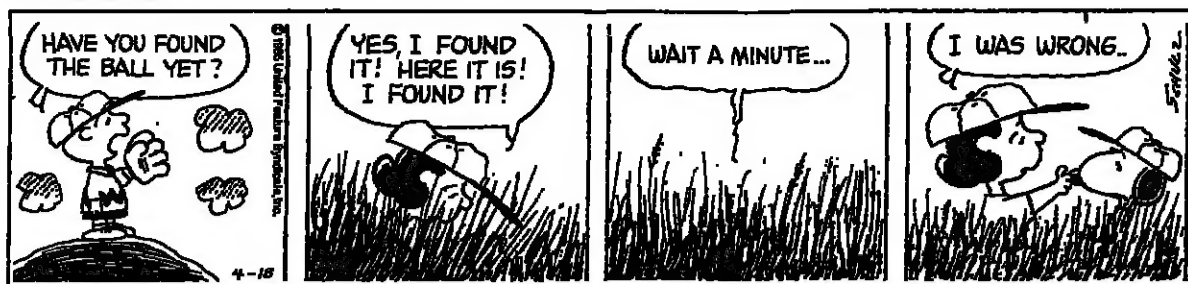
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Heidelberg 15 26 46 104

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PEANUTS



BLONDIE



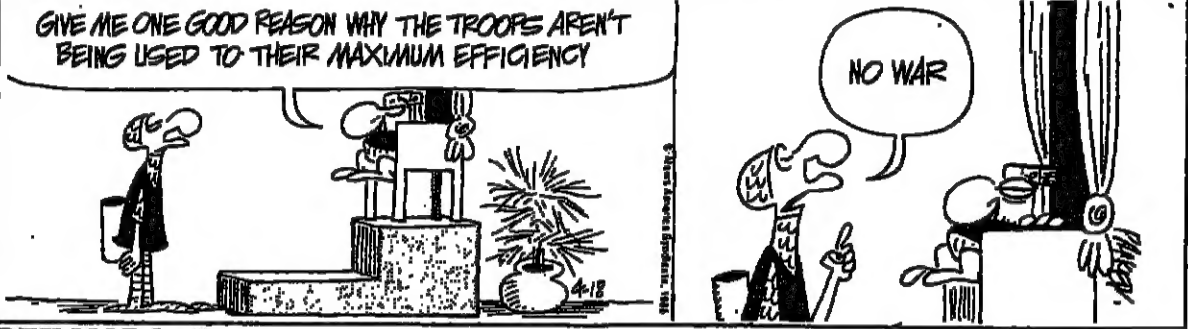
BEETLE BAILEY



ANDY CAPP



WIZARD of ID



REX MORGAN



GARFIELD



BOOKS

THE GREAT BETRAYAL:
The Untold Story of Kim Philby's
Biggest CoupBy Nicholas Bethell. 214 pp. £9.95.
Hodder and Stoughton, 47 Bedford Square,
London, W.C1.

Reviewed by By Joseph Fitchett

SINCE the Iron Curtain divided Europe after World War II, the West has made only one known attempt to subvert a Communist regime in Eastern Europe by force of arms. It was a joint U.S.-British operation to start a guerrilla war in Albania, which turned out to be one of the great Western intelligence disasters of the post-war era.

Between 1949 and 1953, first the British and then the U.S. secret services armed and trained Albanians to serve in an anti-communist resistance movement against the regime of Enver Hoxha, leader of Albania from 1944 until his death last week.

The operation was betrayed from the outset by Kim Philby, the Soviet master spy. Albanian government forces were waiting for the guerrillas as they entered the country, almost all were captured and made public confessions. Thousands of Albanians were tortured, condemned to forced labor or executed. Hundreds are still in prison.

In the first detailed account of the Albanian venture, "The Great Betrayal: The Untold Story of Kim Philby's Biggest Coup," Nicholas Bethell says that the operation continued even after Philby was suspected because of bureaucratic momentum.

It was a peculiar historical moment. The Cold War was starting, and British and U.S. officials — many of whom had seen Soviet repression firsthand while they were operating behind Nazi lines with partisan forces in World War II — decided that Albania would start the rollback of Soviet power. The Albanian insurgency was the centerpiece of the West's attempt to regain the initiative in the Cold War that had begun the year before with the Soviet blockade of Berlin.

But these men resorted to the methods they knew from wartime experience, without modifying them to reflect the changed political conditions of peacetime. This time, no official

Western involvement with the resistance could be allowed to surface. No official Western air-cover or naval power to back up the "pikes," as the Albanians who infiltrated their homeland were known.

The fiasco apparently convinced Western governments that they could never envisage an insurrection behind the Iron Curtain with these methods and these constraints.

It was a crucial secret turning-point in East-West history. Bethell, a British peer who is a Conservative member of the House of Lords and the European Parliament, managed to reconstruct the episode, largely by interviewing Albanian survivors, who defied CIA orders in talking to him. Officially still secret, the Albanian operation only surfaced in the West because Philby, in his post-defection memoirs, gleefully gave his version of it.

Bethell is successful in recreating the mood of the times, avoiding the trap of facile indignation about Western skulduggery in the cold war seen comfortably from the 1980s.

He compellingly evokes the emotions propelling influential Britons and Americans. Typical was Julian Amery, who later sat in the British cabinet. Amery, who had served with the Albanian partisans, was ashamed at the way Britain at the war's end had let down the Albanian royalists, handing over Albania to the Red Army-backed Communist partisans. (That campaign is vividly recalled in a new book by another key British special forces soldier, "Albanian Assignment" by David Stirling, published in London by Chatto & Windus.)

Many British decision-makers were nostalgic for this bit of the Balkans, where Britons had played the great game for nearly a century. This romantic era, which subsequently provided the raw material for a generation of heroic British thrillers, is definitively reconstructed by Margaret Fitzherbert in her book, "The Man Who Was Greenmantle," which has just been issued in paperback by Oxford University Press.

U.S. officials, who took over the Albanian operation, were ready to start playing the contemporary version of the great game with the Soviet Union.

Bethell's title, "The Great Betrayal," refers to Philby's treachery, but it also covers another act of betrayal: the exploitation of the Albanian nationalists' patriotism by Western leaders eager to catch the Kremlin's attention.

Stalin was helping Communist guerrillas in Greece. He had crushed democracy in Czechoslovakia, ignoring his pledges at Yalta. He was threatening Yugoslavia. Stalin needed, U.S. and British leaders felt, a lesson calculated to warn him off fresh aggression.

Officially, the operation ended with the death of Stalin, but it was already defeated. And the liberation of Albania had long since disappeared from view.

"We were a small part of a big game, pawns that could be sacrificed," Bethell quotes a survivor as saying. This kind of duplicity fits the rules of the underground war described by thriller writers such as John le Carré.

But anyone reading the book is bound to come away asking how far the questions it raises might apply to Western policy toward, say, Afghanistan or Nicaragua.

Joseph Fitchett is on the staff of the International Herald Tribune.

BRIDGE

By Alan Truscott

THE North-South hands shown do not quite justify a game contract, but North had confidence in his partner.

Having responded two diamonds to one no-trump, a transfer response showing heart length, one would expect North to pass. However, he invited game with a bid of two no-trump, and South with a maximum hand, naturally accepted.

The normal spade opening lead would have given away a trick, and West made a good decision by leading the safe diamond jack. South allowed the king to win, won the diamond continuation and was at the crossroads.

The obvious move was to play the strong club suit, but the contract would be virtually hopeless if the defense proved

able to hold up the ace until the third round. Even if the king, South could not be prevented from making nine tricks and his contract. Actually, East misdefended and allowed the declarer to score an overtrick.

South decided to play hearts, on the surface a less promising suit. After leading the ace and another, with a duck from West, he made the right percentage play by putting up the queen from dummy. This was due to gain against a doubton or tripleton jack on his right, whereas the ten would gain only against a tripleton king.

When the queen won, the right play was still far from clear: West might have held both missing heart honors. South made the right decision by persevering with hearts, and when West won he continued diamonds, driving out the queen.

When the club queen was led and overtaken with the king, South could not be prevented from making nine tricks and his contract. Actually, East misdefended and allowed the declarer to score an overtrick.

Neither side was vulnerable. The bidding: North 1NT, South 2D, West 2C, East 2D.

West led the diamond jack. The play: North 1NT, South 2D, West 2C, East 2D.

World Stock Markets

Via Agence France-Presse April 17

Closing prices in local currencies unless otherwise indicated.

Amsterdam Close Prev.

ABN 199.20 199.20

ACF Holding 112.20 112.20

Aegon 112.20 112.20

AKZO 112.20 112.20

Alcan 112.20 112.20

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Tokyo

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House Clears Export Bill

The Associated Press

WASHINGTON — The House of Representatives has approved a four-year extension of U.S. government authority to control exports of high-technology and other products has acted to loosen restrictions amid complaints that U.S. manufacturers are being crippled by efforts to keep the goods out of communist hands.

The measure, passed Tuesday, goes to the Senate, which approved a different version two weeks ago.

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in the Trib.

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Montreal April 16

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